

CAPE AGULHAS MUNICIPALITY

MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK 2013/2014 TO 2015/2016



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CAPE AGULHAS MUNICIPALITY
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ANNUAL BUDGET OF
CAPE AGULHAS
MUNICIPALITY

2013/14 TO 2015/16
MEDIUM TERM REVENUE AND
EXPENDITURE FORECASTS

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Abbreviations and Acronyms

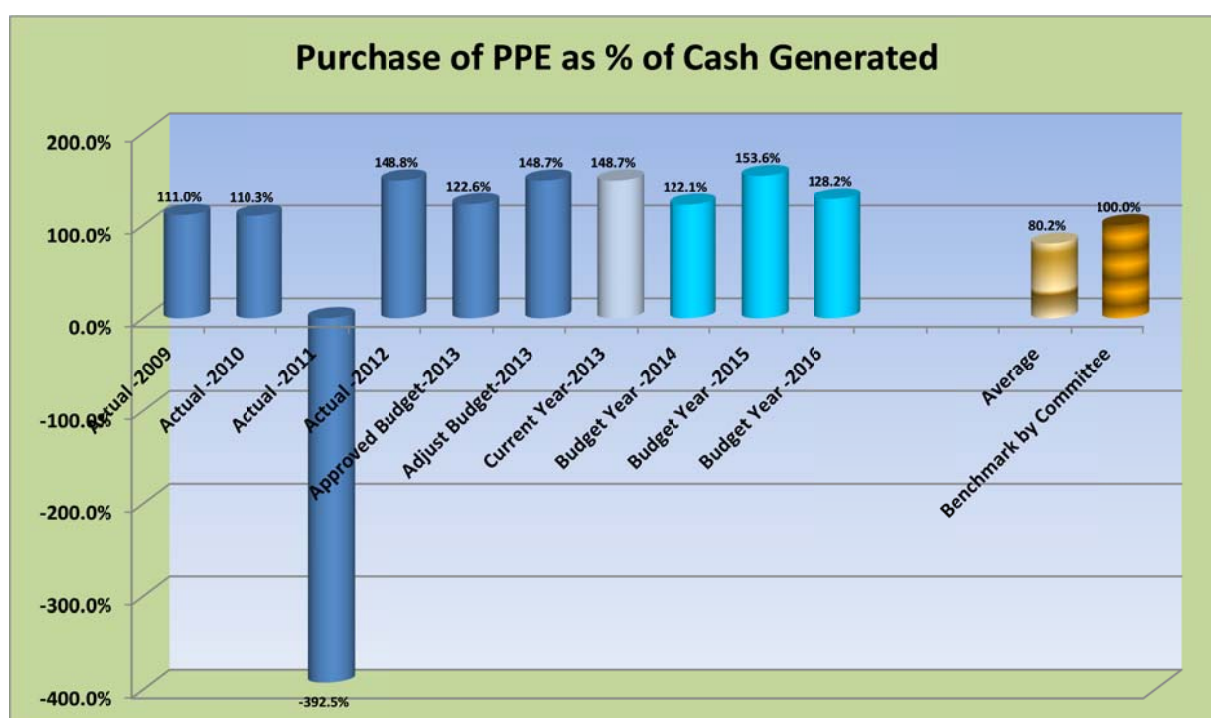
AMR	Automated Meter Reading	ℓ	litre
ASGISA	Accelerated and Shared Growth Initiative	LED	Local Economic Development
BPC	Budget Planning Committee	MEC	Member of the Executive Committee
CBD	Central Business District	MFMA	Municipal Financial Management Act Programme
CFO	Chief Financial Officer	MIG	Municipal Infrastructure Grant
MM	Municipal Manager	MMC	Member of Mayoral Committee
CPI	Consumer Price Index	MPRA	Municipal Properties Rates Act
CRRF	Capital Replacement Reserve Fund	MSA	Municipal Systems Act
DBSA	Development Bank of South Africa	MTEF	Medium-term Expenditure Framework
DoRA	Division of Revenue Act	MTREF	Medium-term Revenue and Expenditure Framework
DWA	Department of Water Affairs	NERSA	National Electricity Regulator South Africa
EE	Employment Equity	NGO	Non-Governmental organisations
EEDSM	Energy Efficiency Demand Side Management	NKPIs	National Key Performance Indicators
EM	Executive Mayor	OHS	Occupational Health and Safety
FBS	Free basic services	OP	Operational Plan
GAMAP	Generally Accepted Municipal Accounting Practice	PBO	Public Benefit Organisations
GDP	Gross domestic product	PHC	Provincial Health Care
GDS	Gauteng Growth and Development Strategy	PMS	Performance Management System
GFS	Government Financial Statistics	PPE	Property Plant and Equipment
GRAP	General Recognised Accounting Practice	PPP	Public Private Partnership
HR	Human Resources	PTIS	Public Transport Infrastructure System
HSRC	Human Science Research Council	RG	Restructuring Grant
IDP	Integrated Development Strategy	RSC	Regional Services Council
IT	Information Technology	SALGA	South African Local Government Association
kℓ	kilolitre	SAPS	South African Police Service
km	kilometre	SDBIP	Service Delivery Budget Implementation Plan
KPA	Key Performance Area	SMME	Small Micro and Medium Enterprises
KPI	Key Performance Indicator		
kWh	kilowatt		

Part 1 – Annual Budget

1.1 Mayor's Report

It is with great pleasure that I present the 2013/2014 Budget to the Council for consideration.

I am specifically pleased to announce that we managed to cut back on capital expenditure from internal sources during 2013/2014. This will greatly assist the municipality in its attempt in maintaining its accumulated reserves and contribute to the long term sustainability of the municipality. It should however still be stressed that the municipality is still utilizing more funds on capital projects when compared to the cash generated from operations.



This will result in a decrease in cash resources as depicted below

Description	2009/10	2010/11	2011/12	2012/13	2013/14 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
NET CASH FROM/(USED) OPERATING ACTIVITIES	21 511	(6 863)	15 516	20 183	17 617	12 951	14 373
NET CASH FROM/(USED) INVESTING ACTIVITIES	(23 606)	(26 726)	(22 683)	(30 003)	(21 499)	(19 804)	(18 271)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(998)	(736)	368	(193)	(199)	(19)	115
NET INCREASE/ (DECREASE) IN CASH HELD	(3 094)	(34 325)	(6 798)	(10 012)	(4 082)	(6 872)	(3 782)

From the above the downward trend in cash reserves is quite evident, and councilors should be mindful of the fact that this expenditure trend will not be sustainable in the long term. The municipality should seriously consider raising external loans to finance long term capital projects before all cash reserves are depleted and insufficient cash is available to fund the ever increasing operating bill.

The Council's main priority have remained unchanged from the prior periods and still focuses on ensuring that all members of the community have access to high quality basic services. Infrastructure spending, especially in previously disadvantaged communities, remains high and this is clearly depicted in the proposed capital budget.

I believe we have done all in our power to address service delivery requirements within our financial means and would like to thank our community for their inputs into the I.D.P. process, my fellow Councilors for their continued hard work and support, as well as the Municipal Manager and his staff for all their efforts.

Council Resolutions

(The following resolutions must be taken at the final budget approval. It is listed here as required by the Regulations)

It is recommended that the Council approves and adopts the following resolutions for the annual budget:

The Council of Cape Agulhas Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:

- 1.1. The annual budget of the municipality for the financial year 2013/14 and the multi-year and single-year capital appropriations as set out in the following tables:
 - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 8 on page 25;
 - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 9 on page 27;
 - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 10 on page 29; and
 - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 11 on page 31.
- 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
 - 1.2.1. Budgeted Financial Position as contained in Table 12 on page 33;
 - 1.2.2. Budgeted Cash Flows as contained in Table 13 on page 35;
 - 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table 14 on page 37;
 - 1.2.4. Asset management as contained in Table 15 on pages 39 and 40; and
 - 1.2.5. Basic service delivery measurement as contained in Table 18 on pages 42 and 43.
2. The Council of Cape Agulhas Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2013:
 - 2.1. the tariffs for property rates – as set out in Annexure B,
 - 2.2. the tariffs for electricity – as set out in Annexure B
 - 2.3. the tariffs for the supply of water – as set out in Annexure B
 - 2.4. the tariffs for sanitation services – as set out in Annexure B
 - 2.5. the tariffs for solid waste services – as set out in Annexure B
3. The Council of Cape Agulhas Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2013 the tariffs for other services, as set out in Annexure B.

1.2 Executive Summary

Introduction

National Treasury's MFMA Circular No. 66 was mainly used to guide the compilation of the 2013/14 MTREF. The Medium Term Budget Policy Statement 2012 notes that the South African economy is projected to grow by 2.5 per cent in 2012. By 2014 GDP growth is expected to reach 3.8 per cent, supported by expanding public sector investment in infrastructure, the activation of new electricity-generating capacity, improving public sector confidence, relatively low inflation and interest rates and strong growth in the Southern African region.

The labour market has deteriorated. The official unemployment rate rose to 25.5 per cent of the labour force in the third quarter of 2012 from 24.9 per cent in the second quarter according to the latest Quarterly Labour Force Survey. The total number of unemployed people stood at 4.67 million in the three months up to September, from 4.47 million in the second quarter. By the expanded definition of unemployment (including those who have stopped looking for work) unemployment increased to 36.3 per cent, from 36.2 per cent.

Consequently, municipal revenues and cash flows are expected to remain under pressure in 2013/2014. Municipalities must adopt a conservative approach when projecting their expected revenues and cash receipts. Municipalities will have to carefully consider affordability of tariff increases especially as it relates to domestic consumers while considering the level of services versus the associated cost. Municipalities should also pay particular attention to managing revenue effectively and carefully evaluate all spending decisions. In generating capacity for spending on key municipal infrastructure municipalities will have to identify inefficiencies and eliminate non-priority spending.

In addressing the key considerations contained in National Treasury's MFMA Circular No. 66 the following are highlighted in the budget.

- The municipality cut back on capital expenditure to stem the downward trend of capital resources.
- Tariff increases were kept as low as possible to ensure affordability thereof, whilst keeping in mind the cost of delivering services of a high quality and services.

In view of the aforementioned, the following table is a consolidated overview of the proposed 2013/14 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2013/14 MTREF

R thousand	Adjustments Budget	Budget Year	Budget Year +1	Budget Year +2
	2012/13	2013/14	2014/15	2015/16
Total Operating Revenue	218 269	227 668	216 711	233 472
Total Operating Expenditure	223 732	230 221	220 674	237 682
Surplus/(Deficit) for the year	(5 464)	(2 553)	(3 963)	(4 210)
Total Capital Expenditure	16 562	13 417	8 784	9 186

Total operating revenue has grown by 4.31 per cent or R9.399 million for the 2013/14 financial year when compared to the 2012/13 Adjustments Budget. If operating grant revenue is excluded, the growth in revenue increases to 9.92 per cent or R14.902 million. For the two outer years, operational revenue (excluding operating grants) will increase by 5.55 and 5.73 per cent respectively. The increase in 2013/2014 is slightly higher than CPIX, but it can mainly be attributed the increase in property valuations with the implementation of the new valuation roll coming into effect on 1 July 2013. The increase in the outer years' percentages support the municipalities focus to keep tariff increases to a minimum and where possible only allow for and CPI related increase.

Total operating expenditure for the 2013/14 financial year has been appropriated at R 230.221 million and translates into a budgeted deficit of R2.553 million before capital transfers. When compared to the 2012/13 Adjustments Budget, operational expenditure has grown by 2.90 per cent in the 2013/14 budget. Total operating expenditure declines by 4.15 per cent in 2014/2015 and then increases by 7.71 per cent in 2015/2016. The decline in 2014/2015 appears to be rather unusual, but this decrease is mainly the result of a decrease in operating grant expenditure that can fluctuate significantly from year to year. If operating grant expenditure is excluded, the situation is as follows with the growth in employee related costs and bulk purchases the main contributor to the steady increase in expenditure:

R thousand	Adjustments 2012/13	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Total Operating Expenditure	223 732	230 221	220 674	237 682
Less Operating grant expenditure	(45 127)	(37 227)	(15 748)	(20 135)
<i>Adjusted expenditure</i>	178 605	192 993	204 926	217 548
Increase	–	14 389	11 932	12 622
% increase		8.06%	6.18%	6.16%

The net result of the above equates to an operating deficit (excluding capital transfers) of R2.553 million in the 2013/2014 financial year. This deficit will increase in the 2 outer MTREF years to R3.963 million and R4.210 million respectively.

The capital budget of R13.417 million for 2013/14 is 18.99 per cent or R3.145 million less when compared to the 2012/13 Adjustment Budget. Capital expenditure will further decline by 34.53 per cent in 2014/15. This illustrates council's commitment to cut back on capital expenditure to reduce the downward trend in cash reserves.

1.3 Operating Revenue Framework

For Cape Agulhas Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices

have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the Municipality and continued economic development;
- Efficient revenue management, which aims to ensure a 98.00 per cent annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the Municipality.

The inflation forecasts for the MTREF period is as follows:

Fiscal year	2011	2012	2013	2014	2015
	Actual	Estimate	Forecast		
CPI Inflation	5.0%	5.7%	5.5%	5.1%	4.9%

Source: Medium Term Budget Policy Statement 2012

The municipality's aim is to not exceed inflation in its annual tariff adjustments but external factors such as the Eskom increases and which are beyond the control of the municipality hampers this goal.

In order to ensure all revenues are raised and recovered and further that all ratepayers are being treated equitably, the municipality identified certain areas of concern and is busy implementing measures to address these problem areas. These areas include the following:

Strategy
Review tariff modeling
Maintain and improve on debt collection
Secure new sources of income
Counter the potential loss in electricity and water income
Ensure an accurate and well maintained income database
Secure more external funding and government grants for soft services including long term funding for operating expenses
Monitor the financial health of the Municipality against financial standards

The following table is a summary of the 2013/14 MTREF (classified by main revenue source):

Table 2 Summary of revenue classified by main revenue source

Description R thousand	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
	Audited	Audited	Audited	Original	Adjusted	Budget Year	Budget Year	Budget Year
	Outcome	Outcome	Outcome	Budget	Budget	2013/14	+1 2014/15	+2 2015/16
Revenue By Source								
Property rates	26 316	28 470	32 427	34 477	34 767	39 103	41214	43 440
Property rates - penalties & collection	—	—	—	—	—	—	—	—
Service charges - electricity revenue	42 970	50 109	62 650	66 084	67 639	72 999	78 461	83 169
Service charges - water revenue	12 534	13 304	15 355	16 408	16 408	18 547	19 549	20 604
Service charges - sanitation revenue	4 386	4 885	5 671	6 178	6 597	7 350	7 938	8 573
Service charges - refuse revenue	7 332	8 285	9 328	9 914	10 264	11 173	11 777	12 413
Service charges - other	—	—	—	—	—	—	—	—
Rental of facilities and equipment	4 356	4 655	4 756	5 664	5 664	5 898	6 217	6 553
Interest earned - external investments	5 033	3 290	2 224	2 200	2 165	1650	1635	1622
Interest earned - outstanding debtors	509	450	514	696	696	737	777	819
Dividends received	—	—	—	—	—	—	—	—
Fines	519	656	751	1119	1119	1186	1250	1318
Licences and permits	965	1154	1012	1149	1149	1248	1316	1387
Agency services	962	1029	1079	1214	1214	1228	1294	1364
Transfers recognised - operational	35 495	34 641	57 697	55 035	68 046	62 543	42 416	49 184
Other revenue	4 582	2 306	2 507	2 448	2 541	4 005	2 867	3 027
Gains on disposal of PPE	—	—	—	—	—	—	—	—
Total Revenue (excluding capital transfers and contributions)	145 960	153 234	195 972	202 583	218 269	227 668	216 711	233 472

Table 3 Summary of revenue classified by municipal vote

Vote Description R thousand	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Revenue by Vote								
Vote 1 - Executive and Council	41 173	34 117	60 255	59 623	77 201	71 292	46 320	53 180
Vote 2 - Budget and Treasury Office	34 520	32 612	35 603	37 781	38 083	41 938	44 099	46 379
Vote 3 - Corporate Services	245	189	881	1 006	1 006	534	562	593
Vote 4 - Community and Social Services	1 488	1 439	3 955	5 076	5 076	5 990	6 361	6 756
Vote 5 - Sport and Recreation	3 835	4 131	3 932	4 892	4 892	5 083	5 357	5 646
Vote 6 - Public Safety	2 336	2 736	2 710	3 341	3 341	3 513	3 703	3 902
Vote 7 - Road Transport	58	8 225	3 083	4 607	3 277	193	116	118
Vote 8 - Electricity	43 750	50 871	63 166	66 589	68 155	74 836	79 040	83 781
Vote 9 - Water	12 742	13 542	15 577	16 660	16 660	18 815	19 831	20 901
Vote 10 - Waste Water Management	4 482	4 964	5 757	6 269	6 675	7 460	8 057	8 701
Vote 11 - Waste Management	7 402	8 374	9 645	10 064	10 464	11 432	12 050	12 700
Vote 12 - Environmental Protection	3	0	–	–	–	–	–	–
Vote 13 - Other	1	–	–	–	–	–	–	–
Total Revenue by Vote	152 037	161 199	204 564	215 909	234 831	241 085	225 495	242 658

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Table 4 Percentage growth in revenue by main revenue source

Description R thousand	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework					
	Adjusted	%	Budget Year	%	Budget Year	%	Budget Year	%
	Budget		2013/14		+1 2014/15		+2 2015/16	
Revenue By Source								
Property rates	34 767	15.9%	39 103	17.2%	41 214	19.0%	43 440	18.6%
Property rates - penalties & collection charges	–	0.0%	–	0.0%	–	0.0%	–	0.0%
Service charges - electricity revenue	67 639	31.0%	72 999	32.1%	78 461	36.2%	83 169	35.6%
Service charges - water revenue	16 408	7.5%	18 547	8.1%	19 549	9.0%	20 604	8.8%
Service charges - sanitation revenue	6 597	3.0%	7 350	3.2%	7 938	3.7%	8 573	3.7%
Service charges - refuse revenue	10 264	4.7%	11 173	4.9%	11 777	5.4%	12 413	5.3%
Service charges - other	–	0.0%	–	0.0%	–	0.0%	–	0.0%
Rental of facilities and equipment	5 664	2.6%	5 898	2.6%	6 217	2.9%	6 553	2.8%
Interest earned - external investments	2 165	1.0%	1650	0.7%	1635	0.8%	1622	0.7%
Interest earned - outstanding debtors	696	0.3%	737	0.3%	777	0.4%	819	0.4%
Dividends received	–	0.0%	–	0.0%	–	0.0%	–	0.0%
Fines	1 119	0.5%	1 186	0.5%	1 250	0.6%	1 318	0.6%
Licences and permits	1 149	0.5%	1 248	0.5%	1 316	0.6%	1 387	0.6%
Agency services	1 214	0.6%	1 228	0.5%	1 294	0.6%	1 364	0.6%
Transfers recognised - operational	68 046	31.2%	62 543	27.5%	42 416	19.6%	49 184	21.1%
Other revenue	2 541	1.2%	4 005	1.8%	2 867	1.3%	3 027	1.3%
Gains on disposal of PPE	–	0.0%	–	0.0%	–	0.0%	–	0.0%
Total Revenue (excluding capital transfers and contributions)	218 269	100%	227 668	100%	216 711	100%	233 472	100%
Total Revenue from Rates and Service Charges	135 675	62.2%	149 172	65.5%	158 938	73.3%	168 198	72.0%

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the Municipality. Rates and service charge revenues comprise of approximately 2/3 of the total revenue mix. In the 2012/13 financial year, revenue from rates and services charges totaled R135.675 million or 62.2 per cent. This increases to an estimated R 149.172 million (65.5%), R158.938 million (75.3%) and R168.198 million (72.0%) in the respective financial years of the MTREF. A notable trend is therefore the increase in the total percentage revenue generated from rates and services charges which increases from mid 60 per cent in 2012/13 to 72.0 per cent in 2015/16. This growth can be mainly attributed to the increased share that the sale of electricity contributes to the total revenue mix, which in turn is due to rapid increases in the Eskom tariffs for bulk electricity. The increase could further be attributed to the new valuation roll coming into effect on 1 July 2013.

Property rates is the second largest revenue source making up between 17 per cent and 20 per cent of total operating revenue for the MTREF period under review. Although the rates tariff was only increased by approximately 2 per cent, the increase in revenue can be attributed to the larger than before valuation base.

The other sources, excluding operating transfer revenue is relatively small compared to property rates and electricity revenue.

Operating grants and transfers totals R68.046 million in the 2012/13 financial year and decreases to R49.184 million by 2015/16. Operating grants usually fluctuates upwards or downwards from year-to-year, as the revenue recognition for such grants depends only on compliance with any conditions attached to such grants and it is also dependent on the funding

available from the other spheres of Government. The unconditional Equitable Share Grant, however, is a grant growing annually according to a formula determined nationally and such formula is applicable to all local authorities on an equal basis. The formula used to calculate the Equitable share allocation was amended from the current year going forward, but the Cape Agulhas Municipality did not benefit much from this adjustment when compared to other municipalities in RSA.

The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

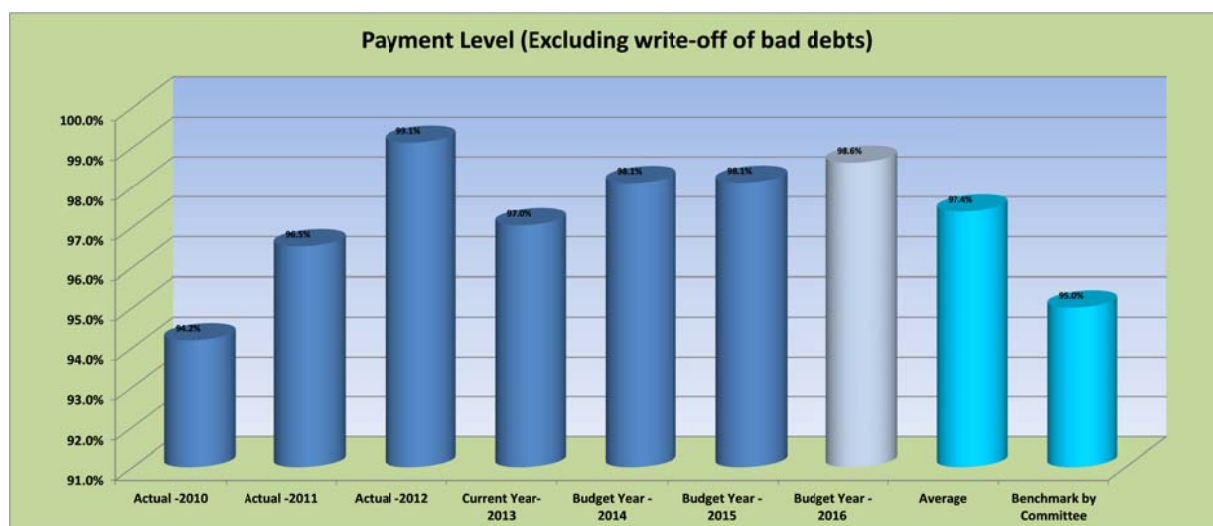
Table 5 Operating Transfers and Grant Receipts

Description	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
EXPENDITURE:								
Operating expenditure of Transfers and Grants								
National Government:	11 909	16 015	18 681	22 443	22 871	29 151	33 760	40 218
Local Government Equitable Share	10 527	13 494	14 805	16 877	16 877	18 057	19 424	20 744
Finance Management	894	1 944	1 677	1 250	1 250	1 300	1 450	1 500
Municipal Systems Improvement	488	577	145	800	804	890	934	966
Municipal Infrastructure (MIG)	–	–	1 498	1 833	1 833	1 868	1 952	2 008
EPWP Incentive	–	–	301	1 000	1 000	1 000	–	–
RBIG	–	–	254	683	683	683	–	–
INEG	–	–	–	–	425	5 354	10 000	15 000
Provincial Government:	23 586	18 424	38 710	32 592	45 175	33 392	8 656	8 966
Housing	20 532	1 862	32 898	23 273	34 677	28 924	3 892	3 892
Community Development Workers	40	83	19	81	172	–	84	84
Subsidy Main Roads	–	8 200	3 034	4 575	3 245	159	80	80
Subsidy Libraries	401	345	2 639	4 163	4 063	4 309	4 600	4 910
Housing Consumer	27	14	1	–	–	–	–	–
Masimambane III Programme	411	294	–	–	68	–	–	–
Meesterbeplanning - IMQS	122	4	–	–	–	–	–	–
Feeding Scheme	582	616	–	–	–	–	–	–
Thusong Centre	–	–	–	500	368	–	–	–
Flood Damage	1 385	–	–	–	–	–	–	–
Provincial Financial Grant	–	–	119	–	81	–	–	–
Bredasdorp Area D HOP	–	6 988	–	–	–	–	–	–
Water Master Planning	–	19	–	–	–	–	–	–
Sport and recreation	87	–	–	–	–	–	–	–
Provincial Contribution to the acceleration of housing	–	–	–	–	2 500	–	–	–
District Municipality:	–	202	–	–	–	–	–	–
Soccer 2010	–	202	–	–	–	–	–	–
Other grant providers:	–	–	307	–	–	–	–	–
IDC	–	–	307	–	–	–	–	–
Total operating expenditure of Transfers and Grants:	35 495	34 641	57 697	55 035	68 046	62 543	42 416	49 184

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all

increases in excess of the 6 per cent upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

The municipality budgets for the non-payment of accounts based on past experience of recovery rates. The municipality has a good record when it comes to outstanding debtor balances and the recovery of debtors when compared to other municipalities, as well as the benchmark set in a current project between all the municipalities in the Western Cape.



It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals, cement etc. The current challenge facing the Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the Municipality has undertaken the tariff setting process relating to service charges as follows.

1.3.1 Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

In setting a tariff, the municipality focuses on setting a rate that is consistent with its operational requirements, whilst ensuring that rate payers are not burdened with excessive rates.

Property rates are steadily increasing over the MTREF, but as mentioned before, this increase can mainly be attributed to the new valuation roll coming into effect on 1 July 2013. The tariff increase was kept at a minimum with a 2 per cent increase factored into the MTREF.



The municipality utilizes a single tariff for all properties, with agricultural properties receiving tariff being 25% of the single tariff. All tariffs are attached as an Appendix to this report.

1.3.2 Sale of Water and Impact of Tariff Increases

South Africa faces similar challenges with regard to water supply as it did with electricity, since demand growth outstrips supply. Consequently, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

One of the main challenges facing the municipality is water losses. The municipality is continuously exploring ways to limit its water losses to an acceptable level.

A tariff increase of 7 per cent from 1 July 2013 for water is proposed. This increase is similar to the prior year.

Full details regarding the tariffs are included as Appendix B to this document.

The tariff structure of the 2013/14 financial year has not been changed. The tariff structure is designed to charge higher levels of consumption at a higher rate, with the highest rate being

R14.37 per kilolitre. This tariff structure is aimed at charging higher tariffs to higher consumers in an attempt to reduce water consumption.

1.3.3 Sale of Electricity and Impact of Tariff Increases

NERSA has announced the revised bulk electricity pricing structure. A 8 per cent (nominal) increase in the Eskom bulk electricity tariff to municipalities will be effective from 1 July 2013.

Considering the Eskom increases, the municipality managed to curb the increase of the consumption tariff to 8% from 1 July 2013, which is in line with the bulk tariff increase.

1.3.4 Sanitation and Impact of Tariff Increases

A tariff increase of 12 percent for sanitation from 1 July 2013 is proposed. This increase was required to ensure that the tariff charged is more cost reflective. However, the increase in future periods are likely to be much higher due to the fact that sewerage plants in the municipal area needs to be upgraded which will result in additional capital cost to be incurred.

1.3.5 Waste Removal and Impact of Tariff Increases

A 7 percent increase in the waste removal tariff is proposed from 1 July 2013. This increase is slightly higher than the current CPI, but is required to ensure the services are delivered at cost reflective rate.

1.3.6 Overall impact of tariff increases on households

More information on the impact on households can be obtained from the attached budget supporting documentation form SA14.

1.4 Operating Expenditure Framework

The Municipality's expenditure framework for the 2013/14 budget and MTREF is informed by the following:

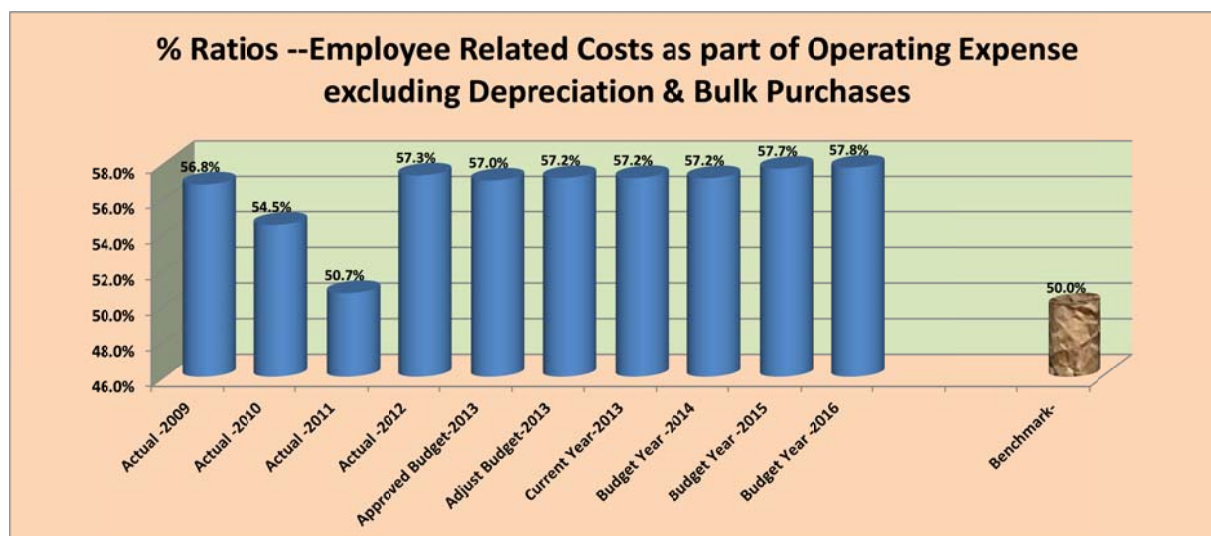
- Guidance provided by National Treasury in Circular 66;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Limitation on tariff increases.

The following table is a high level summary of the 2013/14 budget and MTREF (classified per main type of operating expenditure):

Table 4 Summary of operating expenditure by standard classification item

Description R thousand	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Expenditure By Type								
Employee related costs	49 505	57 887	61 988	69 256	70 594	77 810	82 908	87 566
Remuneration of councillors	2 776	2 857	2 919	3 161	3 161	3 395	3 578	3 771
Debt impairment	2 704	(574)	1 004	1 000	1 000	1 010	1 065	1 122
Depreciation & asset impairment	4 178	5 743	6 013	9 358	9 375	6 775	7 131	7 516
Finance charges	589	448	351	269	713	277	273	286
Bulk purchases	24 944	34 472	44 664	45 260	46 260	50 900	54 951	59 325
Contracted services	659	900	988	1 060	1 110	1 191	1 255	1 323
Other expenditure	58 157	63 027	78 240	78 278	91 008	88 863	69 512	76 772
Loss on disposal of PPE	299	415	1 191	–	511	–	–	–
Total Expenditure	143 810	165 175	197 357	207 643	223 732	230 221	220 674	237 682

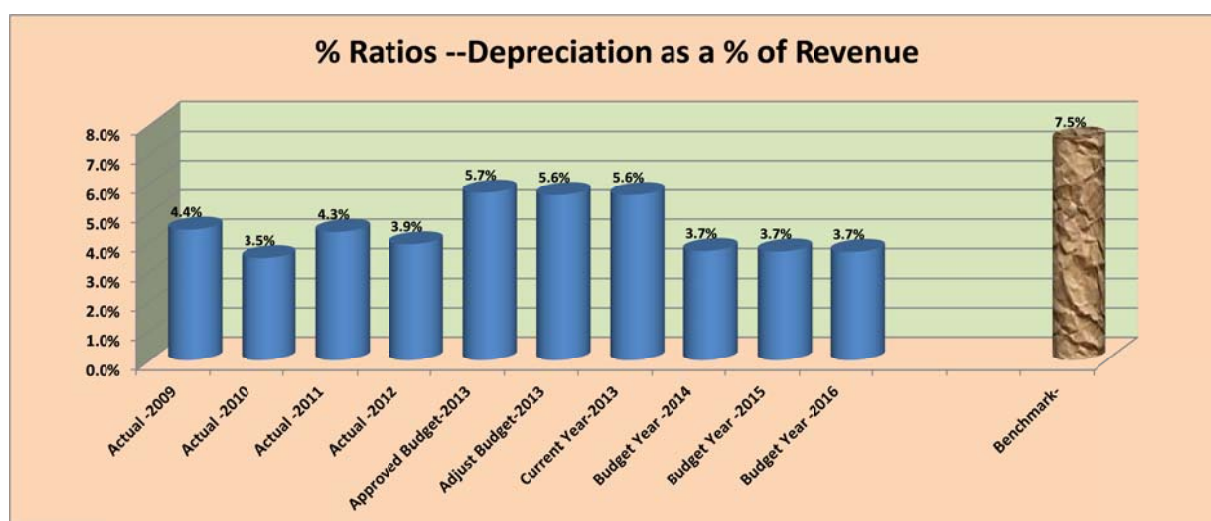
The budgeted allocation for employee related costs for the 2013/14 financial year totals R77.810 million, which equals 33.80 per cent of the total operating expenditure. These percentages are 37.57 and 36.84 per cent in the 2 outer years of the MTREF period respectively. Should electricity bulk purchases and depreciation be excluded, in order to compare it with other municipalities on a more equal basis, the situation is as follows.



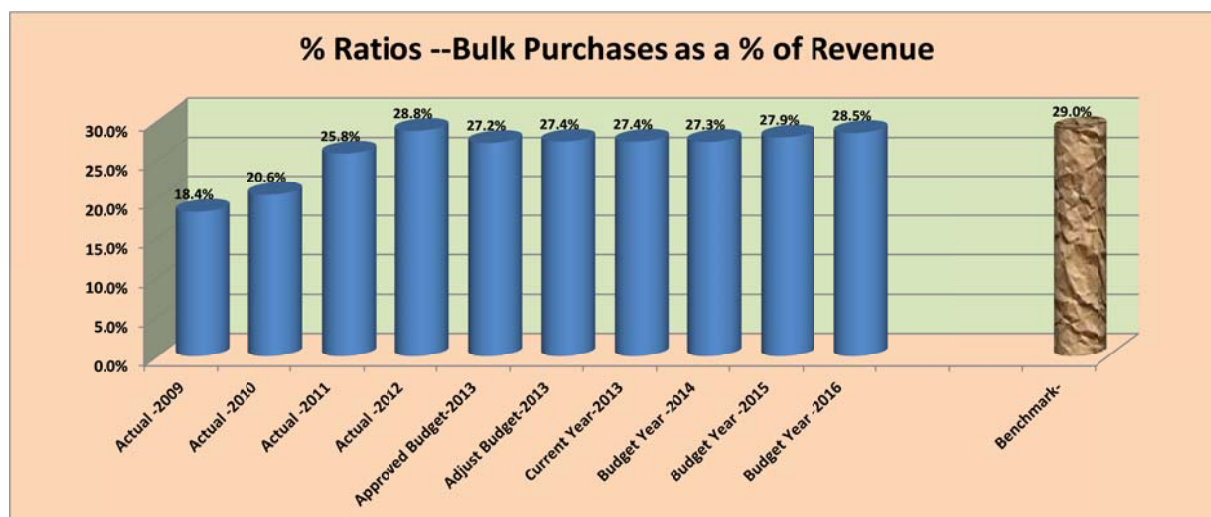
The employee related costs are in excess of the benchmark recently determined by a committee in the Western Cape. This high figure attached to employee related costs are not sustainable in the long term and the municipality should implement measures to decrease this allocation to a lower level.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Municipality's budget.

Depreciation is widely considered a proxy for the measurement of the rate of asset consumption. The depreciation charge at the municipality is relatively low when compared to other municipalities in the Western Cape as well as the benchmark set in the recent benchmarking exercise.



Bulk purchases, which mainly consist out of electricity purchases, are directly informed by the purchase of electricity from Eskom. The annual price increase has been factored into the budget appropriations. The expenditures include distribution losses.

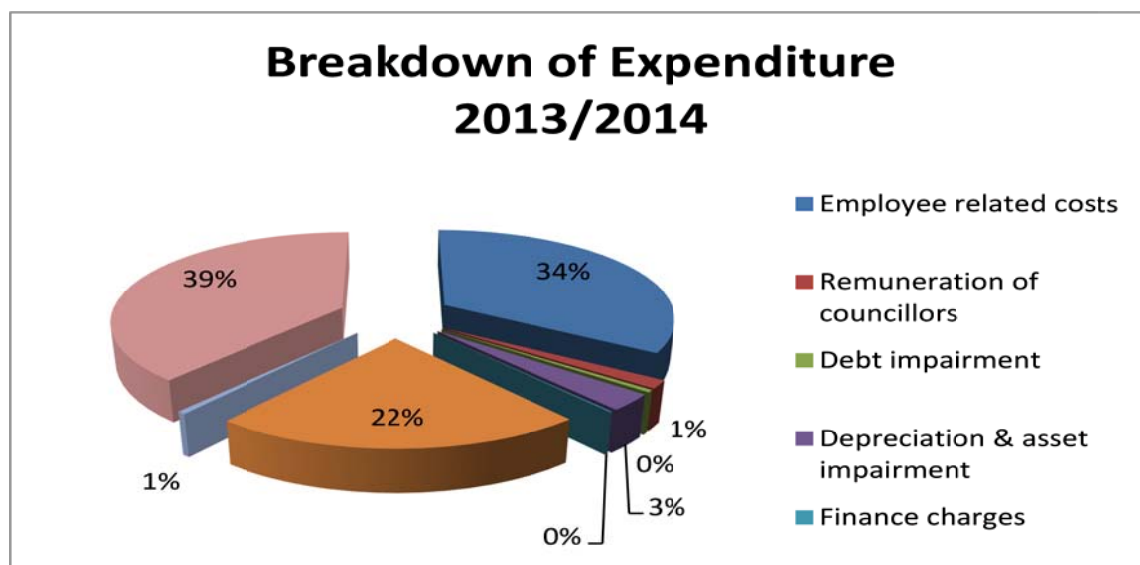


Bulk purchases are managed quite adequately by the municipality as it remains very constant over the MTREF and is very much in line with the benchmark recently set in a the benchmarking exercise in the Western Cape.

National Treasury is introducing a new Chart of Accounts and additional expenditure line-items in the budget. One of these line-items is "Other materials". Other materials comprise of amongst others the purchase of fuel, diesel, materials for maintenance, cleaning materials and chemicals. This group of expenditure has been identified in order to measure sustainability of the Municipality's infrastructure. The municipality's financial systems are, however, not yet ready to implement this change and will be addressed in future budgets.

Other expenditure comprises of various line items relating to the daily operations of the municipality.

The following table gives a breakdown of the main expenditure categories for the 2012/13 financial year.

Figure 1 Main operational expenditure categories for the 2013/14 financial year

1.4.1 Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the Municipality's current infrastructure, the 2012/13 budget and MTREF allocates a large portion (approximately 5%) of its operating budget to repairs and maintenance.

The table below provides a breakdown of the repairs and maintenance in relation to asset class:

Table 5 Repairs and maintenance per asset class

Description	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
R thousand								
<u>Depreciation & asset impairment</u>	4 178	5 743	6 013	9 358	9 375	6 775	7 131	7 516
<u>Repairs and Maintenance by Asset Class</u>	7 326	16 899	7 533	9 039	8 812	10 641	11 210	11 810
Infrastructure - Road transport	1 631	10 120	1 408	1 550	1 520	1 643	1 732	1 825
Infrastructure - Electricity	385	505	523	840	840	914	958	1 004
Infrastructure - Water	938	1 151	958	1 036	986	1 192	1 256	1 324
Infrastructure - Sanitation	414	721	474	521	481	552	582	614
Infrastructure - Other	-	-	-	-	-	-	-	-
Infrastructure	3 368	12 497	3 363	3 947	3 827	4 301	4 528	4 767
Community	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-
Other assets	3 958	4 402	4 170	5 092	4 985	6 340	6 682	7 043
TOTAL EXPENDITURE OTHER ITEMS	11 505	22 642	13 546	18 397	18 187	17 416	18 341	19 326

1.4.2 Free Basic Services: Basic Social Services Package

The cost of the social package of the registered indigent households is financed by the municipality self and largely by utilising the municipality's unconditional equitable share, allocated in terms of the Constitution to local government, and received in terms of the annual Division of Revenue Act. The income foregone as a result of indigent subsidies granted totals R7.229 million in the budget year and increasing to R7.620 million and R8.031 million in the outer years.

1.5 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

Table 6 2013/14 Medium-term capital budget per vote

Vote Description R thousand	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Capital expenditure - Vote								
Multi-year expenditure to be appropriated								
Vote 1 - Executive and Council	–	–	–	–	–	–	–	–
Vote 2 - Budget and Treasury Office	–	–	–	–	–	–	–	–
Vote 3 - Corporate Services	–	–	–	–	–	–	–	–
Vote 4 - Community and Social Services	–	–	708	–	–	–	200	–
Vote 5 - Sport and Recreation	538	564	482	675	615	750	950	750
Vote 6 - Public Safety	–	–	–	300	100	–	200	200
Vote 7 - Road Transport	4 272	–	1 644	4 200	3 897	8 619	8 806	1 100
Vote 8 - Electricity	–	2 886	2 644	1 780	1 780	780	1 930	1 680
Vote 9 - Water	454	–	373	150	150	–	1 450	800
Vote 10 - Waste Water Management	–	1 965	7 206	5 375	5 375	5 675	1 000	10 286
Vote 11 - Waste Management	175	88	128	210	210	–	400	–
Vote 12 - Environmental Protection	–	–	–	–	–	–	–	–
Vote 13 - Other	–	–	–	–	–	–	–	–
Capital multi-year expenditure sub-total	5 439	5 503	13 185	12 690	12 128	15 825	14 936	14 816
Single-year expenditure to be appropriated								
Vote 1 - Executive and Council	21	87	557	15	15	–	–	–
Vote 2 - Budget and Treasury Office	570	413	927	410	410	450	420	510
Vote 3 - Corporate Services	113	769	453	167	167	7	–	–
Vote 4 - Community and Social Services	3 215	699	873	355	3 047	1 789	2 678	200
Vote 5 - Sport and Recreation	304	138	485	640	700	390	–	60
Vote 6 - Public Safety	54	549	564	240	410	–	200	200
Vote 7 - Road Transport	6 684	13 088	2 517	2 437	2 740	750	1 200	1 620
Vote 8 - Electricity	3 878	594	38	150	654	1 380	65	50
Vote 9 - Water	2 213	3 837	1 619	8 764	8 764	600	–	500
Vote 10 - Waste Water Management	1 238	1 115	1 007	150	150	100	100	100
Vote 11 - Waste Management	–	145	8 883	825	825	214	210	220
Vote 12 - Environmental Protection	–	–	–	–	–	–	–	–
Vote 13 - Other	–	–	15	–	–	–	–	–
Capital single-year expenditure sub-total	18 289	21 433	17 938	14 152	17 881	5 680	4 873	3 460
Total Capital Expenditure - Vote	23 728	26 937	31 124	26 843	30 009	21 504	19 809	18 276

Description R thousand	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
ASSET REGISTER SUMMARY - PPE (WDV)								
<i>Infrastructure - Road transport</i>	31 144	43 156	45 643	48 665	49 802	57 767	65 817	66 596
<i>Infrastructure - Electricity</i>	22 943	24 779	26 675	28 162	28 074	29 426	30 598	31 473
<i>Infrastructure - Water</i>	20 350	22 715	23 310	29 159	29 967	29 382	29 583	29 560
<i>Infrastructure - Sanitation</i>	19 855	21 536	28 776	32 902	32 862	37 645	37 698	46 975
<i>Infrastructure - Other</i>	962	960	906	1 094	1 017	946	1 421	1 492
Infrastructure	95 254	113 146	125 310	139 982	141 721	155 165	165 116	176 095
Community	6 147	6 835	6 660	9 542	9 804	12 042	15 202	15 515
Investment properties	36 226	36 223	36 597	35 819	36 595	36 592	36 589	36 586
Other assets	84 117	86 136	89 301	90 172	90 591	89 850	89 629	89 286
Agricultural Assets	–	–	–	–	–	–	–	–
Biological assets	–	–	–	–	–	–	–	–
Intangibles	36	99	110	84	77	44	12	–
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	221 780	242 439	257 979	275 599	278 788	293 694	306 548	317 483
EXPENDITURE OTHER ITEMS								
<u>Depreciation & asset impairment</u>	4 178	5 743	6 013	9 358	9 375	6 775	7 131	7 516
<u>Repairs and Maintenance by Asset Class</u>	7 326	16 899	7 533	9 039	8 812	10 641	11 210	11 810
<i>Infrastructure - Road transport</i>	1 631	10 120	1 408	1 550	1 520	1 643	1 732	1 825
<i>Infrastructure - Electricity</i>	385	505	523	840	840	914	958	1 004
<i>Infrastructure - Water</i>	938	1 151	958	1 036	986	1 192	1 256	1 324
<i>Infrastructure - Sanitation</i>	414	721	474	521	481	552	582	614
Infrastructure	3 368	12 497	3 363	3 947	3 827	4 301	4 528	4 767
Other assets	3 958	4 402	4 170	5 092	4 985	6 340	6 682	7 043
TOTAL EXPENDITURE OTHER ITEMS	11 505	22 642	13 546	18 397	18 187	17 416	18 341	19 326
<i>Renewal of Existing Assets as % of total capex</i>	51.4%	45.4%	74.7%	41.4%	37.8%	55.3%	31.2%	75.7%
<i>Renewal of Existing Assets as % of deprechn</i>	292.0%	213.1%	386.5%	118.8%	121.0%	175.5%	86.7%	184.0%
<i>R&M as a % of PPE</i>	3.9%	8.2%	3.4%	3.8%	3.6%	4.1%	4.2%	4.2%
<i>Renewal and R&M as a % of PPE</i>	9.0%	12.0%	12.0%	7.0%	7.0%	8.0%	6.0%	8.0%

A detailed capital budget is provided as an Appendix to the document.

1.6 Annual Budget Tables - Parent Municipality

The following section presents the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2013/14 budget and MTREF to be approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

Table 7 MBRR Table A1 - Budget Summary

Description	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
R thousands								
Financial Performance								
Property rates	26 316	28 470	32 427	34 477	34 767	39 103	41 214	43 440
Service charges	67 223	76 584	93 004	98 583	100 908	110 069	117 724	124 759
Investment revenue	5 033	3 290	2 224	2 200	2 165	1 650	1 635	1 622
Transfers recognised - operational	35 495	34 641	57 697	55 035	68 046	62 543	42 416	49 184
Other own revenue	11 892	10 250	10 620	12 288	12 382	14 303	13 722	14 467
Total Revenue (excluding capital transfers and contributions)	145 960	153 234	195 972	202 583	218 269	227 668	216 711	233 472
Employee costs	49 505	57 887	61 988	69 256	70 594	77 810	82 908	87 566
Remuneration of councillors	2 776	2 857	2 919	3 161	3 161	3 395	3 578	3 771
Depreciation & asset impairment	4 178	5 743	6 013	9 358	9 375	6 775	7 131	7 516
Finance charges	589	448	351	269	713	277	273	286
Materials and bulk purchases	24 944	34 472	44 664	45 260	46 260	50 900	54 951	59 325
Transfers and grants	–	–	–	–	–	–	–	–
Other expenditure	61 818	63 768	81 423	80 338	93 628	91 064	71 832	79 218
Total Expenditure	143 810	165 175	197 357	207 643	223 732	230 221	220 674	237 682
Surplus/(Deficit)	2 150	(11 942)	(1 385)	(5 060)	(5 464)	(2 553)	(3 963)	(4 210)
Transfers recognised - capital	6 077	7 965	8 592	13 326	16 562	13 417	8 784	9 186
Surplus/(Deficit) for the year	8 227	(3 976)	7 207	8 267	11 098	10 864	4 821	4 975
Capital expenditure & funds sources								
Capital expenditure	23 728	26 937	31 124	26 843	30 009	21 504	19 809	18 276
Transfers recognised - capital	6 077	7 965	8 592	13 326	16 562	13 417	8 784	9 186
Borrowing	–	–	731	–	–	–	–	–
Internally generated funds	17 651	18 971	21 800	13 517	13 447	8 088	11 025	9 090
Total sources of capital funds	23 728	26 937	31 124	26 843	30 009	21 504	19 809	18 276
Financial position								
Total current assets	79 057	48 949	42 903	28 973	36 144	34 059	29 309	26 886
Total non current assets	223 534	244 102	267 622	277 179	288 250	302 975	315 648	326 403
Total current liabilities	26 906	17 095	16 429	18 823	16 179	16 962	17 925	19 154
Total non current liabilities	22 038	26 284	37 218	31 813	40 239	41 231	43 369	45 498
Community wealth/Equity	253 648	249 671	256 879	255 516	267 977	278 841	283 662	288 638
Cash flows								
Net cash from (used) operating	21 511	(6 863)	15 516	21 886	20 183	17 617	12 951	14 373
Net cash from (used) investing	(23 606)	(26 726)	(22 683)	(26 838)	(30 003)	(21 499)	(19 804)	(18 271)
Net cash from (used) financing	(998)	(736)	368	147	(193)	(199)	(19)	115
Cash/cash equivalents at the year end	67 708	33 383	26 585	14 522	16 572	12 490	5 619	1 836
Cash backing/surplus reconciliation								
Cash and investments available	67 708	33 383	26 585	14 522	16 572	12 490	5 619	1 836
Application of cash and investments	65 899	27 385	16 918	14 314	12 501	10 536	5 512	1 641
Balance - surplus (shortfall)	1 809	5 998	9 667	208	4 071	1 954	107	195
Asset management								
Asset register summary (WDV)	221 780	242 439	257 979	275 599	278 788	293 694	306 548	317 483
Depreciation & asset impairment	4 178	5 743	6 013	9 358	9 375	6 775	7 131	7 516
Renewal of Existing Assets	12 201	12 239	23 240	11 120	11 344	11 889	6 180	13 826
Repairs and Maintenance	7 326	16 899	7 533	9 039	8 812	10 641	11 210	11 810

Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasize the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
 - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
 - b. Capital expenditure is balanced by capital funding sources, of which
 - i. Transfers recognised is reflected on the Financial Performance Budget;
 - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
 - iii. Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains negative indicates that the necessary cash resources are not available to fund the Capital Budget.
4. The Cash backing/surplus reconciliation shows that the budget will be cash backed in the entire MTREF period, but there is a rapid decline in accumulated reserves.

Table 8 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification Description R thousand	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Revenue - Standard								
<i>Governance and administration</i>	75 938	66 917	96 739	98 410	116 290	113 763	90 981	100 152
Executive and council	41 173	34 117	60 255	59 623	77 201	71 292	46 320	53 180
Budget and treasury office	34 520	32 612	35 603	37 781	38 083	41 938	44 099	46 379
Corporate services	245	189	881	1 006	1 006	534	562	593
<i>Community and public safety</i>	7 660	8 305	10 597	13 310	13 310	14 586	15 421	16 304
Community and social services	1 488	1 439	3 955	5 076	5 076	5 990	6 361	6 756
Sport and recreation	3 835	4 131	3 932	4 892	4 892	5 083	5 357	5 646
Public safety	2 336	2 736	2 710	3 341	3 341	3 513	3 703	3 902
<i>Economic and environmental services</i>	62	8 225	3 083	4 607	3 277	193	116	118
Road transport	59	8 225	3 083	4 607	3 277	193	116	118
Environmental protection	3	0	–	–	–	–	–	–
<i>Trading services</i>	68 377	77 751	94 145	99 582	101 955	112 543	118 978	126 084
Electricity	43 750	50 871	63 166	66 589	68 155	74 836	79 040	83 781
Water	12 742	13 542	15 577	16 660	16 660	18 815	19 831	20 901
Waste water management	4 482	4 964	5 757	6 269	6 675	7 460	8 057	8 701
Waste management	7 402	8 374	9 645	10 064	10 464	11 432	12 050	12 700
Total Revenue - Standard	152 037	161 199	204 564	215 909	234 831	241 085	225 495	242 658
Expenditure - Standard								
<i>Governance and administration</i>	68 660	50 754	87 300	82 140	97 085	95 702	77 182	84 709
Executive and council	41 130	31 464	54 643	46 241	60 928	58 200	37 980	43 595
Budget and treasury office	19 369	18 635	18 744	20 968	21 294	24 346	25 260	26 368
Corporate services	8 160	656	13 912	14 932	14 863	13 156	13 942	14 746
<i>Community and public safety</i>	17 230	22 384	21 658	26 128	26 815	31 209	33 122	35 062
Community and social services	8 367	9 136	10 691	11 919	12 740	16 264	17 256	18 266
Sport and recreation	5 403	8 125	5 959	8 270	8 093	8 374	8 882	9 398
Public safety	3 460	5 123	5 008	5 939	5 982	6 571	6 984	7 398
<i>Economic and environmental services</i>	9 546	18 996	14 057	18 364	17 030	13 348	14 048	14 852
Road transport	9 285	18 508	13 725	17 861	16 520	12 791	13 457	14 226
Environmental protection	262	487	332	503	510	557	591	626
<i>Trading services</i>	48 374	73 041	74 342	81 011	82 803	89 961	96 322	103 059
Electricity	30 696	47 862	51 413	54 480	55 480	60 090	64 691	69 624
Water	8 065	10 910	9 864	11 758	11 515	12 622	13 368	14 131
Waste water management	4 124	6 284	5 714	6 508	6 948	7 247	7 672	8 108
Waste management	5 489	7 984	7 351	8 266	8 860	10 002	10 591	11 194
Total Expenditure - Standard	143 810	165 175	197 357	207 643	223 732	230 221	220 674	237 682
Surplus/(Deficit) for the year	8 227	(3 976)	7 207	8 267	11 098	10 864	4 821	4 975

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for Electricity, Waste Management (Refuse) and Water functions, but not the Waste Water management functions.
4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources.

Table 9 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description R thousand	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Revenue by Vote								
Vote 1 - Executive and Council	41 173	34 117	60 255	59 623	77 201	71 292	46 320	53 180
Vote 2 - Budget and Treasury Office	34 520	32 612	35 603	37 781	38 083	41 938	44 099	46 379
Vote 3 - Corporate Services	245	189	881	1 006	1 006	534	562	593
Vote 4 - Community and Social Services	1 488	1 439	3 955	5 076	5 076	5 990	6 361	6 756
Vote 5 - Sport and Recreation	3 835	4 131	3 932	4 892	4 892	5 083	5 357	5 646
Vote 6 - Public Safety	2 336	2 736	2 710	3 341	3 341	3 513	3 703	3 902
Vote 7 - Road Transport	58	8 225	3 083	4 607	3 277	193	116	118
Vote 8 - Electricity	43 750	50 871	63 166	66 589	68 155	74 836	79 040	83 781
Vote 9 - Water	12 742	13 542	15 577	16 660	16 660	18 815	19 831	20 901
Vote 10 - Waste Water Management	4 482	4 964	5 757	6 269	6 675	7 460	8 057	8 701
Vote 11 - Waste Management	7 402	8 374	9 645	10 064	10 464	11 432	12 050	12 700
Vote 12 - Environmental Protection	3	0	–	–	–	–	–	–
Vote 13 - Other	1	–	–	–	–	–	–	–
Total Revenue by Vote	152 037	161 199	204 564	215 909	234 831	241 085	225 495	242 658
Expenditure by Vote to be appropriated								
Vote 1 - Executive and Council	41 130	31 464	54 643	46 241	60 928	58 200	37 980	43 595
Vote 2 - Budget and Treasury Office	19 369	18 635	18 744	20 968	21 294	24 346	25 260	26 368
Vote 3 - Corporate Services	8 160	656	13 912	14 932	14 863	13 156	13 942	14 746
Vote 4 - Community and Social Services	8 367	9 136	10 691	11 919	12 740	16 264	17 256	18 266
Vote 5 - Sport and Recreation	5 403	8 125	5 959	8 270	8 093	8 374	8 882	9 398
Vote 6 - Public Safety	3 460	5 123	5 008	5 939	5 982	6 571	6 984	7 398
Vote 7 - Road Transport	7 902	18 587	11 789	15 666	14 315	10 304	10 823	11 436
Vote 8 - Electricity	30 696	47 862	51 413	54 480	55 480	60 090	64 691	69 624
Vote 9 - Water	8 065	10 910	9 864	11 758	11 515	12 622	13 368	14 131
Vote 10 - Waste Water Management	4 124	6 284	5 714	6 508	6 948	7 247	7 672	8 108
Vote 11 - Waste Management	5 489	7 984	7 351	8 266	8 860	10 002	10 591	11 194
Vote 12 - Environmental Protection	262	487	332	503	510	557	591	626
Vote 13 - Other	1 383	(79)	1 936	2 195	2 205	2 488	2 634	2 789
Total Expenditure by Vote	143 810	165 175	197 357	207 643	223 732	230 221	220 674	237 682
Surplus/(Deficit) for the year	8 227	(3 976)	7 207	8 267	11 098	10 864	4 821	4 975

Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the Municipality. This means it is possible to present the operating surplus or deficit of a vote.

Table 10 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)

Description R thousand	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Revenue By Source								
Property rates	26 316	28 470	32 427	34 477	34 767	39 103	41 214	43 440
Service charges - electricity revenue	42 970	50 109	62 650	66 084	67 639	72 999	78 461	83 169
Service charges - water revenue	12 534	13 304	15 355	16 408	16 408	18 547	19 549	20 604
Service charges - sanitation revenue	4 386	4 885	5 671	6 178	6 597	7 350	7 938	8 573
Service charges - refuse revenue	7 332	8 285	9 328	9 914	10 264	11 173	11 777	12 413
Rental of facilities and equipment	4 356	4 655	4 756	5 664	5 664	5 898	6 217	6 553
Interest earned - external investments	5 033	3 290	2 224	2 200	2 165	1 650	1 635	1 622
Interest earned - outstanding debtors	509	450	514	696	696	737	777	819
Fines	519	656	751	1 119	1 119	1 186	1 250	1 318
Licences and permits	965	1 154	1 012	1 149	1 149	1 248	1 316	1 387
Agency services	962	1 029	1 079	1 214	1 214	1 228	1 294	1 364
Transfers recognised - operational	35 495	34 641	57 697	55 035	68 046	62 543	42 416	49 184
Other revenue	4 582	2 306	2 507	2 448	2 541	4 005	2 867	3 027
Total Revenue (excluding capital transfers and contributions)	145 960	153 234	195 972	202 583	218 269	227 668	216 711	233 472
Expenditure By Type								
Employee related costs	49 505	57 887	61 988	69 256	70 594	77 810	82 908	87 566
Remuneration of councillors	2 776	2 857	2 919	3 161	3 161	3 395	3 578	3 771
Debt impairment	2 704	(574)	1 004	1 000	1 000	1 010	1 065	1 122
Depreciation & asset impairment	4 178	5 743	6 013	9 358	9 375	6 775	7 131	7 516
Finance charges	589	448	351	269	713	277	273	286
Bulk purchases	24 944	34 472	44 664	45 260	46 260	50 900	54 951	59 325
Contracted services	659	900	988	1 060	1 110	1 191	1 255	1 323
Other expenditure	58 157	63 027	78 240	78 278	91 008	88 863	69 512	76 772
Loss on disposal of PPE	299	415	1 191	–	511	–	–	–
Total Expenditure	143 810	165 175	197 357	207 643	223 732	230 221	220 674	237 682
Surplus/(Deficit)	2 150	(11 942)	(1 385)	(5 060)	(5 464)	(2 553)	(3 963)	(4 210)
Transfers recognised - capital	6 077	7 965	8 592	13 326	16 562	13 417	8 784	9 186
Surplus/(Deficit) for the year	8 227	(3 976)	7 207	8 267	11 098	10 864	4 821	4 975

Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. Total revenue, including capital transfers, is R241.085 million in 2013/14 and remains very constant to R242.658 million by 2015/16. This flat performance is mainly the result of a proposed decrease in government funding combined with an increase in rates and other tariffs.
2. The following graph illustrates the major expenditure items per type. This graph clearly illustrates the sharp upward trend in two of the main cost drivers within the municipality being Employee related costs and Bulk Purchases.

Figure 2 Expenditure by major type

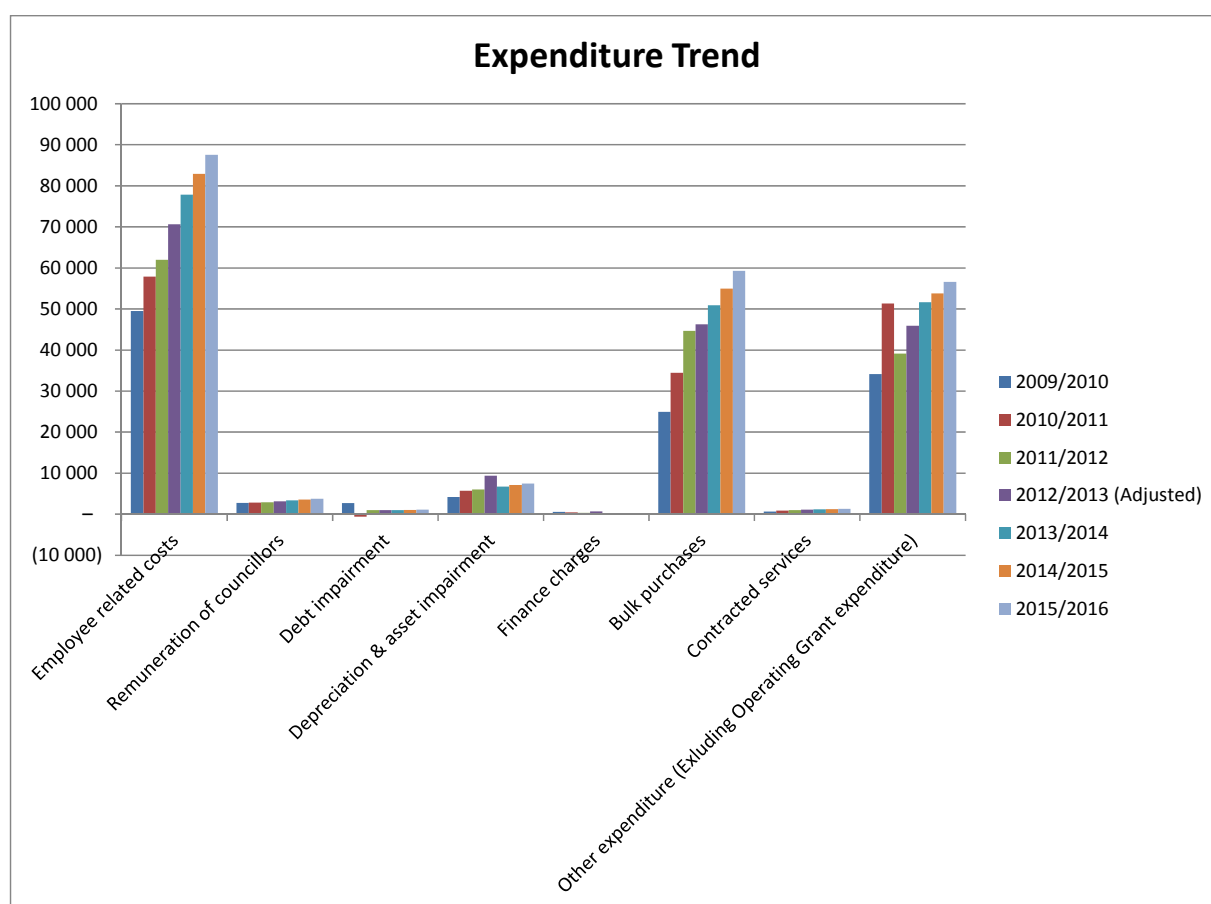


Table 11 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

Vote Description R thousand	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Capital expenditure - Vote								
Multi-year expenditure to be appropriated								
Vote 4 - Community and Social Services	–	–	708	–	–	–	200	–
Vote 5 - Sport and Recreation	538	564	482	675	615	750	950	750
Vote 6 - Public Safety	–	–	–	300	100	–	200	200
Vote 7 - Road Transport	4 272	–	1 644	4 200	3 897	8 619	8 806	1 100
Vote 8 - Electricity	–	2 886	2 644	1 780	1 780	780	1 930	1 680
Vote 9 - Water	454	–	373	150	150	–	1 450	800
Vote 10 - Waste Water Management	–	1 965	7 206	5 375	5 375	5 675	1 000	10 286
Vote 11 - Waste Management	175	88	128	210	210	–	400	–
Capital multi-year expenditure sub-total	5 439	5 503	13 185	12 690	12 128	15 825	14 936	14 816
Single-year expenditure to be appropriated								
Vote 1 - Executive and Council	21	87	557	15	15	–	–	–
Vote 2 - Budget and Treasury Office	570	413	927	410	410	450	420	510
Vote 3 - Corporate Services	113	769	453	167	167	7	–	–
Vote 4 - Community and Social Services	3 215	699	873	355	3 047	1 789	2 678	200
Vote 5 - Sport and Recreation	304	138	485	640	700	390	–	60
Vote 6 - Public Safety	54	549	564	240	410	–	200	200
Vote 7 - Road Transport	6 684	13 088	2 517	2 437	2 740	750	1 200	1 620
Vote 8 - Electricity	3 878	594	38	150	654	1 380	65	50
Vote 9 - Water	2 213	3 837	1 619	8 764	8 764	600	–	500
Vote 10 - Waste Water Management	1 238	1 115	1 007	150	150	100	100	100
Vote 11 - Waste Management	–	145	8 883	825	825	214	210	220
Vote 13 - Other	–	–	15	–	–	–	–	–
Capital single-year expenditure sub-total	18 289	21 433	17 938	14 152	17 881	5 680	4 873	3 460
Total Capital Expenditure - Vote	23 728	26 937	31 124	26 843	30 009	21 504	19 809	18 276
Capital Expenditure - Standard								
Governance and administration	704	1 270	1 936	592	592	457	420	510
Executive and council	21	87	557	15	15	–	–	–
Budget and treasury office	570	413	927	410	410	450	420	510
Corporate services	113	769	453	167	167	7	–	–
Community and public safety	4 111	1 950	3 113	2 210	4 872	2 929	4 228	1 410
Community and social services	3 215	699	1 581	355	3 047	1 789	2 878	200
Sport and recreation	842	702	967	1 315	1 315	1 140	950	810
Public safety	54	549	564	540	510	–	400	400
Economic and environmental services	10 956	13 088	4 161	6 637	6 637	9 369	10 006	2 720
Road transport	10 956	13 088	4 161	6 637	6 637	9 369	10 006	2 720
Trading services	7 958	10 629	21 899	17 404	17 909	8 749	5 155	13 636
Electricity	3 878	3 480	2 682	1 930	2 434	2 160	1 995	1 730
Water	2 667	3 837	1 992	8 914	8 914	600	1 450	1 300
Waste water management	1 238	3 080	8 214	5 525	5 525	5 775	1 100	10 386
Waste management	175	233	9 011	1 035	1 035	214	610	220
Other	–	–	15	–	–	–	–	–
Total Capital Expenditure - Standard	23 728	26 937	31 124	26 843	30 009	21 504	19 809	18 276

Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table A5 is a breakdown of the capital program in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to multi-year appropriations, for 2013/14 R15.825 million has been allocated of the total R21.504 million capital budget, which totals 73.59 per cent. This allocation decreases to R14.936 million in 2014/15 and remains in line in the ensuing year.
3. Single-year capital expenditure has been appropriated at R5.680 million for the 2013/14 financial year and declines over the MTREF period to R4.873 million and R3.460 million respectively for the two outer years. This decline supports council's drive to cut back on non-priority expenditure.
4. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the Municipality. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.
5. The capital program is funded from capital transfers and internally generated funds from current and prior year surpluses and is listed below:

Vote Description R thousand	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Funded by:								
National Government	6 077	6 911	8 453	13 326	16 562	13 217	8 584	8 986
Provincial Government	–	1 054	85	–	–	200	200	200
Other transfers and grants	–	–	54	–	–	–	–	–
Transfers recognised - capital	6 077	7 965	8 592	13 326	16 562	13 417	8 784	9 186
Borrowing	–	–	731	–	–	–	–	–
Internally generated funds	17 651	18 971	21 800	13 517	13 447	8 088	11 025	9 090
Total Capital Funding	23 728	26 937	31 124	26 843	30 009	21 504	19 809	18 276

Table 12 MBRR Table A6 -Budgeted Financial Position

Description R thousand	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
ASSETS								
Current assets								
Cash	67 708	33 383	26 585	14 522	16 572	12 490	5 619	1 836
Consumer debtors	7 851	10 599	14 384	13 096	17 590	19 538	21 609	22 919
Other debtors	2 294	4 111	955	550	955	955	955	955
Current portion of long-term receivables	5	6	6	5	5	5	5	5
Inventory	1 198	851	973	800	1 022	1 071	1 121	1 171
Total current assets	79 057	48 949	42 903	28 973	36 144	34 059	29 309	26 886
Non current assets								
Long-term receivables	452	413	380	385	375	370	365	360
Investment property	36 226	36 223	36 597	35 819	36 595	36 592	36 589	36 586
Property, plant and equipment	185 518	206 117	221 272	239 697	242 116	257 058	269 947	280 897
Intangible	36	99	110	84	77	44	12	–
Other non-current assets	1 303	1 249	9 262	1 195	9 087	8 911	8 735	8 559
Total non current assets	223 534	244 102	267 622	277 179	288 250	302 975	315 648	326 403
TOTAL ASSETS	302 591	293 051	310 525	306 153	324 395	337 034	344 957	353 289
LIABILITIES								
Current liabilities								
Borrowing	979	475	382	139	400	232	185	214
Consumer deposits	2 637	2 880	3 153	3 191	3 342	3 542	3 755	4 055
Trade and other payables	19 454	9 138	8 156	10 681	7 625	8 091	8 584	9 106
Provisions	3 836	4 602	4 738	4 813	4 812	5 098	5 400	5 778
Total current liabilities	26 906	17 095	16 429	18 823	16 179	16 962	17 925	19 154
Non current liabilities								
Borrowing	1 317	842	1 031	560	631	399	214	–
Provisions	20 721	25 443	36 187	31 254	39 608	40 832	43 156	45 498
Total non current liabilities	22 038	26 284	37 218	31 813	40 239	41 231	43 369	45 498
TOTAL LIABILITIES	48 943	43 379	53 646	50 636	56 418	58 193	61 294	64 651
NET ASSETS	253 648	249 671	256 879	255 516	267 977	278 841	283 662	288 638
COMMUNITY WEALTH/EQUITY								
Accumulated Surplus/(Deficit)	196 810	217 334	233 541	237 679	245 340	256 004	264 325	272 301
Reserves	56 837	32 337	23 337	17 837	22 637	22 837	19 337	16 337
TOTAL COMMUNITY WEALTH/EQUITY	253 648	249 671	256 879	255 516	267 977	278 841	283 662	288 638

Explanatory notes to Table A6 - Budgeted Financial Position

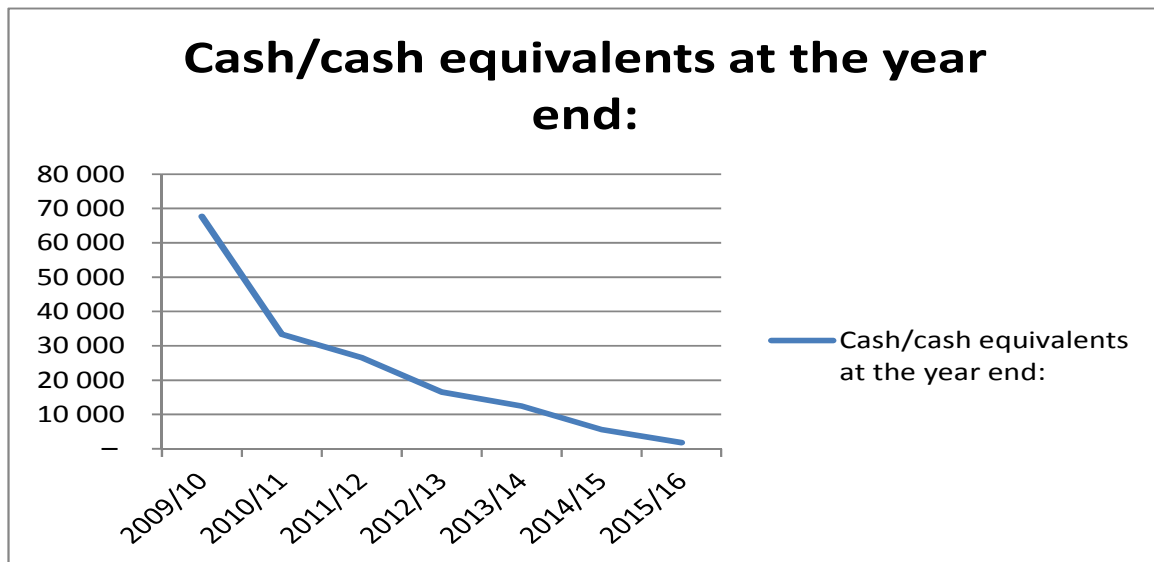
1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. Table 66 is supported by an extensive table (SA3) of notes detailed analysis of the major components of a number of items, including:
 - Consumer debtors;
 - Property, plant and equipment;
 - Trade and other payables;
 - Provisions non current;
 - Changes in net assets; and
 - Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

Table 13 MBRRTable A7 - Budgeted Cash Flow Statement

Description	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
R thousand								
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Ratepayers and other	103 400	107 441	126 151	143 093	144 097	159 779	168 747	179 415
Government - operating	35 495	23 827	60 327	55 035	69 605	62 543	42 416	49 184
Government - capital	6 077	7 965	8 592	13 326	14 062	13 417	8 784	9 186
Interest	5 541	3 740	2 779	2 896	2 861	2 387	2 412	2 441
Payments								
Suppliers and employees	(128 413)	(149 388)	(181 983)	(192 194)	(209 729)	(220 233)	(209 135)	(225 566)
Finance charges	(589)	(448)	(351)	(269)	(713)	(277)	(273)	(286)
Transfers and Grants	–	–	–	–	–	–	–	–
NET CASH FROM/(USED) OPERATING ACTIVITIES	21 511	(6 863)	15 516	21 886	20 183	17 617	12 951	14 373
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipts								
Proceeds on disposal of PPE	–	172	367	–	–	–	–	–
Decrease (increase) other non-current receivables	122	38	33	5	6	5	5	5
Payments								
Capital assets	(23 728)	(26 937)	(23 082)	(26 843)	(30 009)	(21 504)	(19 809)	(18 276)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(23 606)	(26 726)	(22 683)	(26 838)	(30 003)	(21 499)	(19 804)	(18 271)
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
Borrowing long term/refinancing	–	–	731	–	–	–	–	–
Increase (decrease) in consumer deposits	246	243	272	290	189	201	213	300
Payments								
Repayment of borrowing	(1 244)	(979)	(635)	(143)	(382)	(400)	(232)	(185)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(998)	(736)	368	147	(193)	(199)	(19)	115
NET INCREASE/ (DECREASE) IN CASH HELD	(3 094)	(34 325)	(6 798)	(4 804)	(10 012)	(4 082)	(6 872)	(3 782)
Cash/cash equivalents at the year begin:	70 802	67 708	33 383	19 327	26 585	16 572	12 490	5 619
Cash/cash equivalents at the year end:	67 708	33 383	26 585	14 522	16 572	12 490	5 619	1 836

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.



3. It can be seen that the cash levels of the Municipality fell significantly over the 2009/10 to 2012/13 period, and will continue to decrease over the MTREF period.

Table 14 MBRRTable A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

Description R thousand	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Cash and investments available								
Cash/cash equivalents at the year end	67 708	33 383	26 585	14 522	16 572	12 490	5 619	1 836
Cash and investments available:	67 708	33 383	26 585	14 522	16 572	12 490	5 619	1 836
Application of cash and investments								
Unspent conditional transfers	11 161	1 768	804	1 303	(137)	(137)	(137)	(137)
Other working capital requirements	(2 099)	(6 721)	(7 224)	(4 826)	(9 999)	(12 164)	(13 688)	(14 559)
Reserves to be backed by cash/investments	56 837	32 337	23 337	17 837	22 637	22 837	19 337	16 337
Total Application of cash and investments:	65 899	27 385	16 918	14 314	12 501	10 536	5 512	1 641
Surplus(shortfall)	1 809	5 998	9 667	208	4 071	1 954	107	195

Other working capital requirements

Debtors	10 392	14 091	14 576	13 813	17 761	20 392	22 410	23 803
Creditors due	8 293	7 370	7 352	8 987	7 762	8 228	8 722	9 244
Total	2 099	6 721	7 224	4 826	9 999	12 164	13 688	14 559

Debtors collection assumptions

Balance outstanding - debtors	10 596	15 123	15 719	14 031	18 920	20 863	22 929	24 234
Estimate of debtors collection rate	98%	93%	93%	98%	97%	98%	98%	98%

Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded". The municipality's budget is cash-funded in the entire MTREF.

Table 15 MBRR Table A9 - Asset Management

Description R thousand	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
CAPITAL EXPENDITURE								
Total New Assets	11 527	14 697	7 883	15 722	18 664	9 615	13 629	4 450
Infrastructure - Road transport	4 017	7 789	1 283	3 287	3 020	5 731	8 106	1 320
Infrastructure - Electricity	–	95	420	600	1 048	1 390	100	300
Infrastructure - Water	2 196	621	385	7 914	7 914	–	500	1 000
Infrastructure - Sanitation	–	1 965	500	–	–	–	500	–
Infrastructure - Other	175	88	22	210	210	–	550	150
Infrastructure	6 388	10 559	2 610	12 011	12 192	7 121	9 756	2 770
Community	173	–	30	480	3 100	1 612	2 478	300
Investment properties	900	–	426	–	–	–	–	–
Other assets	4 026	4 062	4 774	3 232	3 373	883	1 395	1 380
Intangibles	40	76	43	–	–	–	–	–
Total Renewal of Existing Assets	12 201	12 239	23 240	11 120	11 344	11 889	6 180	13 826
Infrastructure - Road transport	6 209	5 261	2 483	2 800	3 070	3 614	1 400	1 000
Infrastructure - Electricity	2 869	2 886	2 199	1 300	1 384	700	1 850	1 400
Infrastructure - Water	319	2 489	917	400	400	600	950	300
Infrastructure - Sanitation	402	434	7 654	5 475	5 475	5 775	600	10 386
Infrastructure - Other	–	–	8 041	–	–	–	–	–
Infrastructure	9 799	11 069	21 293	9 975	10 329	10 689	4 800	13 086
Community	2 269	857	14	770	666	1 070	1 150	510
Other assets	133	313	1 933	375	349	130	230	230
Total Capital Expenditure								
Infrastructure - Road transport	10 226	13 050	3 766	6 087	6 090	9 344	9 506	2 320
Infrastructure - Electricity	2 869	2 981	2 618	1 900	2 432	2 090	1 950	1 700
Infrastructure - Water	2 515	3 110	1 301	8 314	8 314	600	1 450	1 300
Infrastructure - Sanitation	402	2 399	8 154	5 475	5 475	5 775	1 100	10 386
Infrastructure - Other	175	88	8 064	210	210	–	550	150
Infrastructure	16 187	21 628	23 904	21 986	22 521	17 810	14 556	15 856
Community	2 442	857	44	1 250	3 766	2 682	3 628	810
Investment properties	900	–	426	–	–	–	–	–
Other assets	4 159	4 375	6 707	3 607	3 722	1 013	1 625	1 610
Intangibles	40	76	43	–	–	–	–	–
TOTAL CAPITAL EXPENDITURE - Asset class	23 728	26 937	31 124	26 843	30 009	21 504	19 809	18 276

Description R thousand	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
ASSET REGISTER SUMMARY - PPE (WDV)								
Infrastructure - Road transport	31 144	43 156	45 643	48 665	49 802	57 767	65 817	66 596
Infrastructure - Electricity	22 943	24 779	26 675	28 162	28 074	29 426	30 598	31 473
Infrastructure - Water	20 350	22 715	23 310	29 159	29 967	29 382	29 583	29 560
Infrastructure - Sanitation	19 855	21 536	28 776	32 902	32 862	37 645	37 698	46 975
Infrastructure - Other	962	960	906	1 094	1 017	946	1 421	1 492
Infrastructure	95 254	113 146	125 310	139 982	141 721	155 165	165 116	176 095
Community	6 147	6 835	6 660	9 542	9 804	12 042	15 202	15 515
Investment properties	36 226	36 223	36 597	35 819	36 595	36 592	36 589	36 586
Other assets	84 117	86 136	89 301	90 172	90 591	89 850	89 629	89 286
Agricultural Assets	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-
Intangibles	36	99	110	84	77	44	12	-
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	221 780	242 439	257 979	275 599	278 788	293 694	306 548	317 483
EXPENDITURE OTHER ITEMS								
<u>Depreciation & asset impairment</u>	4 178	5 743	6 013	9 358	9 375	6 775	7 131	7 516
<u>Repairs and Maintenance by Asset Class</u>	7 326	16 899	7 533	9 039	8 812	10 641	11 210	11 810
Infrastructure - Road transport	1 631	10 120	1 408	1 550	1 520	1 643	1 732	1 825
Infrastructure - Electricity	385	505	523	840	840	914	958	1 004
Infrastructure - Water	938	1 151	958	1 036	986	1 192	1 256	1 324
Infrastructure - Sanitation	414	721	474	521	481	552	582	614
Infrastructure	3 368	12 497	3 363	3 947	3 827	4 301	4 528	4 767
Other assets	3 958	4 402	4 170	5 092	4 985	6 340	6 682	7 043
TOTAL EXPENDITURE OTHER ITEMS	11 505	22 642	13 546	18 397	18 187	17 416	18 341	19 326
Renewal of Existing Assets as % of total capex	51.4%	45.4%	74.7%	41.4%	37.8%	55.3%	31.2%	75.7%
Renewal of Existing Assets as % of deprecn"	292.0%	213.1%	386.5%	118.8%	121.0%	175.5%	86.7%	184.0%
R&M as a % of PPE	3.9%	8.2%	3.4%	3.8%	3.6%	4.1%	4.2%	4.2%
Renewal and R&M as a % of PPE	9.0%	12.0%	12.0%	7.0%	7.0%	8.0%	6.0%	8.0%

Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. The Municipality only complies with one of the recommendations, as insufficient allocations are made to repairs and maintenance

Table 18 MBRR Table A10 - Basic Service Delivery Measurement

Description	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
	Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Household service targets								
<u>Water:</u>								
Piped water inside dwelling	7 189	7 463	7 463	7 762	7 762	7 903	7 950	7 990
Piped water inside yard (but not in dwelling)	–	–	–	–	–	–	–	–
Using public tap (at least min.service level)	2	2	2	2	2	2	2	2
Other water supply (at least min.service level)	–	–	–	–	–	–	–	–
<i>Minimum Service Level and Above sub-total</i>	7 191	7 465	7 465	7 764	7 764	7 905	7 952	7 992
Using public tap (< min.service level)	526	804	804	804	804	834	850	880
Other water supply (< min.service level)	–	–	–	–	–	–	–	–
No water supply	–	–	–	–	–	–	–	–
<i>Below Minimum Service Level sub-total</i>	526	804	804	804	804	834	850	880
Total number of households	7 717	8 269	8 269	8 568	8 568	8 739	8 802	8 872
<u>Sanitation/sewerage:</u>								
Flush toilet (connected to sewerage)	3 906	4 276	4 276	5 311	5 311	5 485	5 532	5 572
Flush toilet (with septic tank)	3 150	3 068	3 068	2 993	2 993	3 004	3 004	3 004
Chemical toilet	–	1	1	1	1	1	1	1
Pit toilet (ventilated)	–	–	–	–	–	–	–	–
Other toilet provisions (> min.service level)	–	–	–	–	–	–	–	–
<i>Minimum Service Level and Above sub-total</i>	7 056	7 345	7 345	8 305	8 305	8 490	8 537	8 577
Bucket toilet	–	–	–	–	–	–	–	–
Other toilet provisions (< min.service level)	526	804	804	804	804	834	850	880
No toilet provisions	–	–	–	–	–	–	–	–
<i>Below Minimum Service Level sub-total</i>	526	804	804	804	804	834	850	880
Total number of households	7 582	8 149	8 149	9 109	9 109	9 324	9 387	9 457
<u>Energy:</u>								
Electricity (at least min.service level)	4 342	4 376	4 376	4 207	4 207	4 290	4 340	4 390
Electricity - prepaid (min.service level)	2 570	3 036	3 036	3 554	3 554	3 975	4 022	4 072
<i>Minimum Service Level and Above sub-total</i>	6 912	7 412	7 412	7 761	7 761	8 265	8 362	8 462
Electricity (< min.service level)	526	804	804	804	804	834	850	880
Electricity - prepaid (< min. service level)	–	–	–	–	–	–	–	–
Other energy sources	–	–	–	–	–	–	–	–
<i>Below Minimum Service Level sub-total</i>	526	804	804	804	804	834	850	880
Total number of households	7 438	8 216	8 216	8 565	8 565	9 099	9 212	9 342
<u>Refuse:</u>								
Removed at least once a week	7 797	8 169	8 169	8 851	8 851	9 021	9 068	9 118
<i>Minimum Service Level and Above sub-total</i>	7 797	8 169	8 169	8 851	8 851	9 021	9 068	9 118
Removed less frequently than once a week	–	–	–	–	–	–	–	–
Using communal refuse dump	–	–	–	–	–	–	–	–
Using own refuse dump	526	804	804	804	804	834	850	880
Other rubbish disposal	–	–	–	–	–	–	–	–
No rubbish disposal	–	–	–	–	–	–	–	–
<i>Below Minimum Service Level sub-total</i>	526	804	804	804	804	834	850	880
Total number of households	8 323	8 973	8 973	9 655	9 655	9 855	9 918	9 998

Description	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
	Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Households receiving Free Basic Service								
Water (6 kilolitres per household per month)	7 139	7 400	7 400	7 762	7 762	7 903	7 950	7 990
Sanitation (free minimum level service)	2 172	2 781	2 781	2 343	2 343	2 418	2 520	2 580
Electricity /other energy (50kwh per household per month)	7 128	9 400	9 400	2 343	2 343	2 418	2 520	2 580
Refuse (removed at least once a week)	2 172	2 781	2 781	2 343	2 343	2 418	2 520	2 580
Cost of Free Basic Services provided (R'000)								
Water (6 kilolitres per household per month)	545	594	642	2 280	2 280	2 439	2 570	2 708
Sanitation (free sanitation service)	1 290	1 406	1 519	1 786	1 786	2 000	2 108	2 221
Electricity /other energy (50kwh per household per month)	1 776	1 935	2 225	773	773	834	879	927
Refuse (removed once a week)	194	211	228	2 065	2 065	2 230	2 350	2 477
Total cost of FBS provided (minimum social package)	3 805	4 147	4 614	6 904	6 904	7 503	7 907	8 333
Highest level of free service provided								
Property rates (R value threshold)	15 000	15 000	15 000	15 000	15 000	15	15	15
Water (kilolitres per household per month)	6	6	6	6	6	0	0	0
Sanitation (kilolitres per household per month)	–	–	–	–	–	–	–	–
Sanitation (Rand per household per month)	–	–	–	–	–	–	–	–
Electricity (kwh per household per month)	50	50	50	50	50	0	0	0
Refuse (average litres per week)	–	–	–	–	–	–	–	–
Revenue cost of free services provided (R'000)								
Property rates (R15 000 threshold rebate)	–	–	–	–	–	–	–	–
Property rates (other exemptions, reductions and rebates)	–	–	–	160	160	181	191	202
Water	545	594	594	2 280	2 280	2 439	2 570	2 708
Sanitation	1 290	1 406	1 406	1 640	1 640	2 000	2 108	2 221
Electricity /other energy	1 776	1 935	1 935	103	103	834	879	927
Refuse	194	211	211	247	247	2 230	2 350	2 477
Municipal Housing - rental rebates	–	–	–	–	–	–	–	–
Housing - top structure subsidies	–	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–	–
Total revenue cost of free services provided (total social package)	3 805	4 147	4 147	4 429	4 429	7 684	8 099	8 534

Explanatory notes to Table A10 - Basic Service Delivery Measurement

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.

Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

2.1.1 Budget Process Overview

The following key dates are set out for the budget process -

- **February 2013** – Receive inputs from Departments Heads. Various budget meetings with Municipal Manager and Mayor to discuss the 2013/2014 MTREF.
- **25 March 2013** – Draft Budget presented to Council for consideration.
- **1 April 2013** – Advertising of Budget for Public Participation.
- **3 May 2013** – Final date for public comments.
- **28 May 2013** - Tabling of the 2013/14 MTREF before Council for consideration and approval.

There were no deviations from the key dates set out in the Budget Time Schedule tabled in Council.

2.1.2 IDP and Service Delivery and Budget Implementation Plan

The draft IDP is approved on the 25 March 2013. The SDBIP will be approved 28 days after the approval of the 2013/2014 MTREF to comply with the MFMA.

The Municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan.

With the compilation of the 2013/14 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2011/12 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

2.1.3 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2013/14 MTREF, extensive financial modelling were undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2013/14 MTREF:

- Municipality growth
- Policy priorities and strategic objectives
- Asset maintenance

- Economic climate and trends (i.e inflation, Eskom increases, household debt, migration patterns)
- Performance trends
- The approved 2010/11 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 66 has been taken into consideration in the planning and prioritisation process.

2.2 Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);

- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPis);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2014 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP.

All IDP objectives are set out in the tables below –

MBRR Table SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue

Strategic Objective	Goal	Goal Code	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
R thousand										
Good Governance	To build an institution capable of effective delivery with sound administration and good governance practices	A	41 173	34 117	60 255	59 623	77 201	71 292	46 320	53 180
Sustainable Infrastructure Development	Provide Sustainable Infrastructure Development by improving and reconstructing access roads, other streets and storm water.	B	58	8 225	3 083	4 607	3 277	193	116	118
Sustainable Basic Services	To provide adequate sustainable basic services for improved quality of life for our communities by eradicating service delivery backlogs and providing sustainable electricity.	C	43 750	50 871	63 166	66 589	68 155	74 836	79 040	83 781
	To provide adequate sustainable basic services for improved quality of life for our communities by eradicating service delivery backlogs and providing sustainable quality water.	D	12 742	13 542	15 577	16 660	16 660	18 815	19 831	20 901
	To provide adequate sustainable basic services for improved quality of life for our communities by eradicating service delivery backlogs and providing high quality sewerage and sanitation services.	E	4 482	4 964	5 757	6 269	6 675	7 460	8 057	8 701
	To provide adequate sustainable basic services for improved quality of life for our communities by eradicating service delivery backlogs and providing high quality waste management services.	F	7 402	8 374	9 645	10 064	10 464	11 432	12 050	12 700
	Provide support services to all departments and contribute to the delivery of sustainable basic service delivery	G	1	–	–	–	–	–	–	–
	The allocation of sufficient funds to the protection and conservation of the municipal area	H	3	0	–	–	–	–	–	–
Social Development	To create a healthy and sustainable environment by improving social services and the maintenance of public facilities and buildings.	I	1 488	1 439	3 955	5 076	5 076	5 990	6 361	6 756
Financial Viability	To create and maintain public areas, sportsfields and resorts for the benefit of the community.	J	3 835	4 131	3 932	4 892	4 892	5 083	5 357	5 646
	To create an environment of effective, accountable and viable financial management with reliable information technology and accurate database by fully implementing all MFMA regulations and reforms	K	34 520	32 612	35 603	37 781	38 083	41 938	44 099	46 379
	To create an environment of effective, accountable and viable financial management with reliable information technology and accurate database by fully implementing all MFMA regulations and reforms	L	245	189	881	1 006	1 006	534	562	593
Safety & Security	To create a safe and secure environment by providing traffic and related services.	M	2 336	2 736	2 710	3 341	3 341	3 513	3 703	3 902
Allocations to other priorities			–	–	–	–	–	–	–	–
Total Revenue (excluding capital transfers and contributions)			152 037	161 199	204 564	215 909	234 831	241 085	225 495	242 658

MBRR Table SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure

Strategic Objective	Goal	Goal Code	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
R thousand										
Good Governance	To build an institution capable of effective delivery with sound administration and good governance practices	A	41 130	31 464	54 643	46 241	60 928	58 200	37 980	43 595
Sustainable Infrastructure Development	Provide Sustainable Infrastructure Development by improving and reconstructing access roads, other streets and storm water.	B	7 902	18 587	11 789	15 666	14 315	10 304	10 823	11 436
Sustainable Basic Services	To provide adequate sustainable basic services for improved quality of life for our communities by eradicating service delivery backlogs and providing sustainable electricity.	C	30 696	47 862	51 413	54 480	55 480	60 090	64 691	69 624
	To provide adequate sustainable basic services for improved quality of life for our communities by eradicating service delivery backlogs and providing sustainable quality water.	D	8 065	10 910	9 864	11 758	11 515	12 622	13 368	14 131
	To provide adequate sustainable basic services for improved quality of life for our communities by eradicating service delivery backlogs and providing high quality sewerage and sanitation services.	E	4 124	6 284	5 714	6 508	6 948	7 247	7 672	8 108
	To provide adequate sustainable basic services for improved quality of life for our communities by eradicating service delivery backlogs and providing high quality waste management services.	F	5 489	7 984	7 351	8 266	8 860	10 002	10 591	11 194
	Provide support services to all departments and contribute to the delivery of sustainable basic service delivery	G	1 383	(79)	1 936	2 195	2 205	2 488	2 634	2 789
Environmental Protection	The allocation of sufficient funds to the protection and conservation of the municipal area	H	262	487	332	503	510	557	591	626
Social Development	To create a healthy and sustainable environment by improving social services and the maintenance of public facilities and buildings.	I	8 367	9 136	10 691	11 919	12 740	16 264	17 256	18 266
	To create and maintain public areas, sportsfields and resorts for the benefit of the community.	J	5 403	8 125	5 959	8 270	8 093	8 374	8 882	9 398
Financial Viability	To create an environment of effective, accountable and viable financial management with reliable information technology and accurate database by fully implementing all MFMA regulations and reforms	K	19 369	18 635	18 744	20 968	21 294	24 346	25 260	26 368
	To create an environment of effective, accountable and viable financial management with reliable information technology and accurate database by fully implementing all MFMA regulations and reforms	L	8 160	656	13 912	14 932	14 863	13 156	13 942	14 746
Safety & Security	To create a safe and secure environment by providing traffic and related services.	M	3 460	5 123	5 008	5 939	5 982	6 571	6 984	7 398
Allocations to other priorities										
Total Expenditure			143 810	165 175	197 357	207 643	223 732	230 221	220 674	237 682

MBRR Table SA6 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure

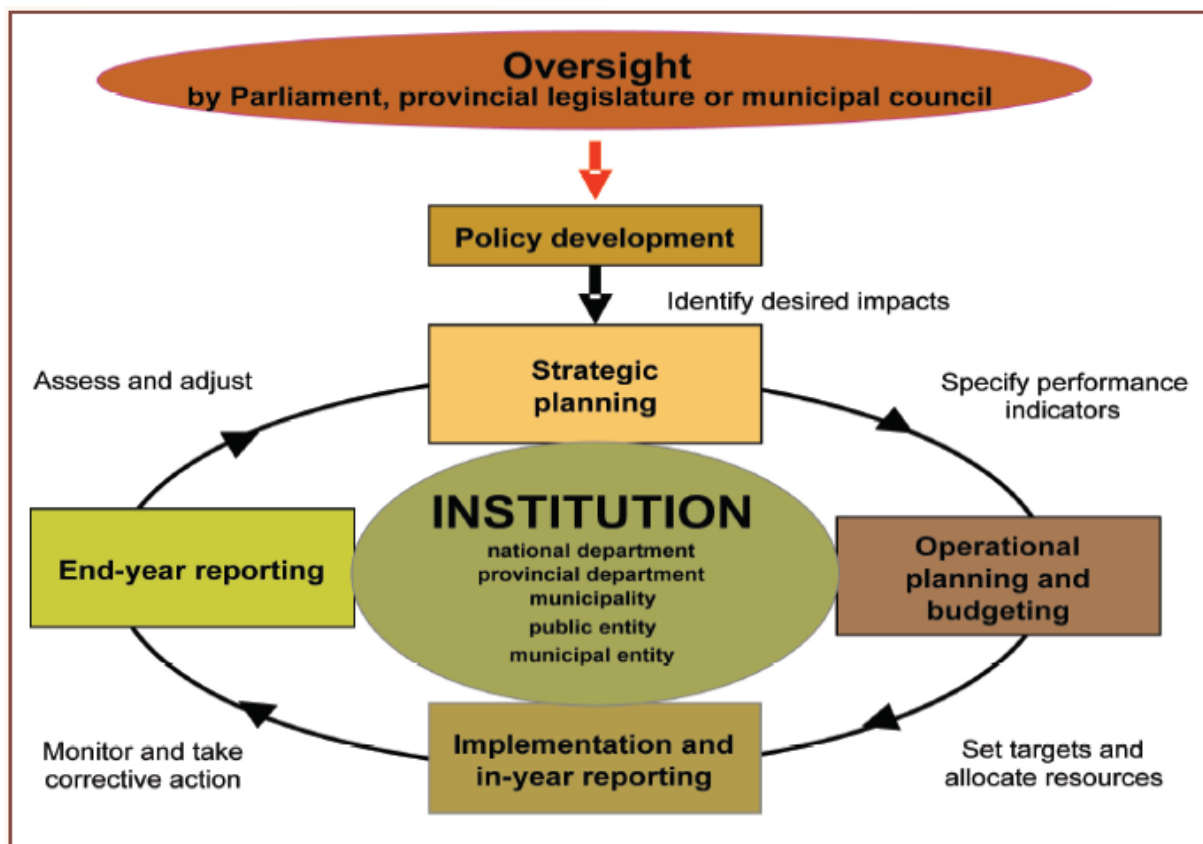
Strategic Objective	Goal	Goal Code	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
R thousand										
Good Governance	To build an institution capable of effective delivery with sound administration and good governance practices	A	21	87	557	15	15	–	–	–
Sustainable Infrastructure Development	Provide Sustainable Infrastructure Development by improving and reconstructing access roads, other streets and storm water.	B	10 956	13 088	4 161	6 637	6 637	9 369	10 006	2 720
Sustainable Basic Services	To provide adequate sustainable basic services for improved quality of life for our communities by eradicating service delivery backlogs and providing sustainable electricity.	C	3 878	3 480	2 682	1 930	2 434	2 160	1 995	1 730
	To provide adequate sustainable basic services for improved quality of life for our communities by eradicating service delivery backlogs and providing sustainable quality water.	D	2 667	3 837	1 992	8 914	8 914	600	1 450	1 300
	To provide adequate sustainable basic services for improved quality of life for our communities by eradicating service delivery backlogs and providing high quality sewerage and sanitation services.	E	1 238	3 080	8 214	5 525	5 525	5 775	1 100	10 386
	To provide adequate sustainable basic services for improved quality of life for our communities by eradicating service delivery backlogs and providing high quality waste management services.	F	175	233	9 011	1 035	1 035	214	610	220
	Provide support services to all departments and contribute to the delivery of sustainable basic service delivery	G	–	–	15	–	–	–	–	–
	The allocation of sufficient funds to the protection and conservation of the municipal area	H	–	–	–	–	–	–	–	–
Environmental Protection										
Social Development	To create a healthy and sustainable environment by improving social services and the maintenance of public facilities and buildings.	I	3 215	699	1 581	355	3 047	1 789	2 878	200
	To create and maintain public areas, sportsfields and resorts for the benefit of the community.	J	842	702	967	1 315	1 315	1 140	950	810
Financial Viability	To create an environment of effective, accountable and viable financial management with reliable information technology and accurate database by fully implementing all MFMA regulations and reforms	K	570	413	927	410	410	450	420	510
	To create an environment of effective, accountable and viable financial management with reliable information technology and accurate database by fully implementing all MFMA regulations and reforms	L	113	769	453	167	167	7	–	–
Safety & Security	To create a safe and secure environment by providing traffic and related services.	M	54	549	564	540	510	–	400	400
		N								
		O								
		P								
Allocations to other priorities			–	–	–	–	–	–	–	–
Total Capital Expenditure			23 728	26 937	31 124	26 843	30 009	21 504	19 809	18 276

2.3 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the Municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality target, monitors, assesses and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues

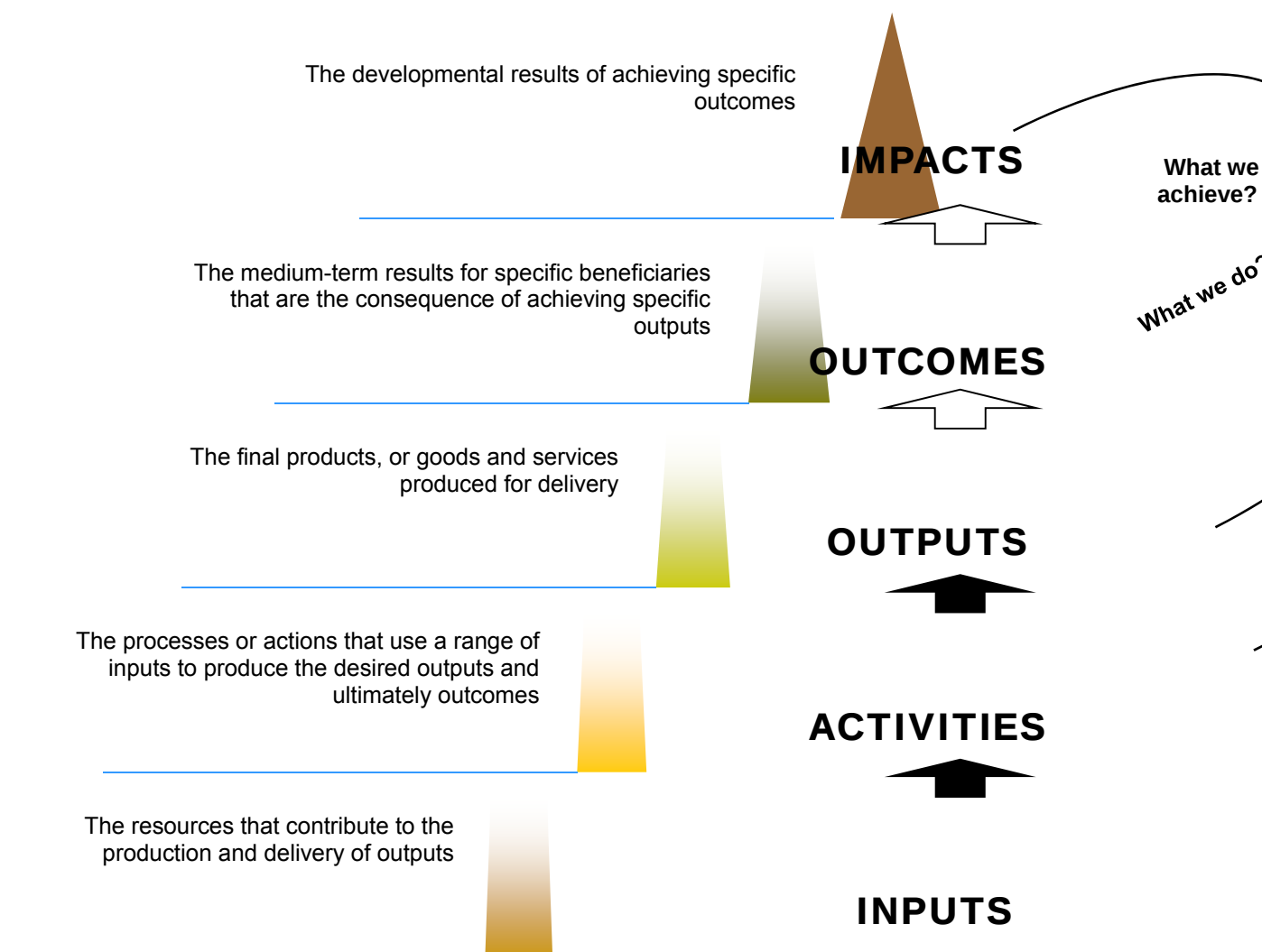
through each of the planning, budgeting, implementation and reporting stages. The planning, budgeting and reporting cycle can be graphically illustrated as follows:



The performance of the Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The Municipality therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

The performance information concepts used by the Municipality in its integrated performance management system are aligned to the **Framework of Managing Programme Performance Information** issued by the National Treasury:



The following table provides the main measurable performance objectives the municipality undertakes to achieve this financial year.

MBRR Table SA7 - Measurable performance objectives

The information is not available at this stage and will be included after the approval of the SDBIP.

The following table sets out the municipalities main performance objectives and benchmarks for the 2013/14 MTREF.

MBRR Table SA8 - Performance indicators and benchmarks

Description of financial indicator	Basis of calculation	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<u>Borrowing Management</u>											
Credit Rating		N/A	N/A	N/A	N/A	N/A	N/A	N/A			
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	1.3%	0.9%	0.5%	0.2%	0.5%	0.5%	0.5%	0.3%	0.2%	0.2%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	1.7%	1.2%	0.7%	0.3%	0.7%	0.7%	0.7%	0.4%	0.3%	0.3%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	0.0%	0.0%	3.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<u>Safety of Capital</u>											
Gearing	Long Term Borrowing/ Funds & Reserves	2.3%	2.6%	4.4%	3.1%	2.8%	2.8%	2.8%	1.7%	1.1%	0.0%
<u>Liquidity</u>											
Current Ratio	Current assets/current liabilities	2.9	2.9	2.6	1.5	2.2	2.2	2.2	2.0	1.6	1.4
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	2.9	2.9	2.6	1.5	2.2	2.2	2.2	2.0	1.6	1.4
Liquidity Ratio	Monetary Assets/Current Liabilities	2.5	2.0	1.6	0.8	1.0	1.0	1.0	0.7	0.3	0.1
<u>Revenue Management</u>											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		98.2%	93.2%	92.7%	98.5%	97.3%	97.3%	97.3%	97.7%	97.7%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)			98.1%	93.2%	92.7%	98.4%	97.3%	97.3%	97.3%	97.7%	97.7%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	7.3%	9.9%	8.0%	6.9%	8.7%	8.7%	8.7%	9.2%	10.6%	10.4%
<u>Creditors Management</u>											
Creditors System Efficiency	% of Creditors Paid Within Terms (within MFMA' s 65(e))	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Creditors to Cash and Investments		11.9%	22.1%	26.2%	61.9%	44.5%	44.5%	44.5%	62.6%	147.4%	478.1%
<u>Other Indicators</u>											
Electricity Distribution Losses (2)	Total Volume Losses (kW) Total Cost of Losses (Rand '000)	Will be included in final budget when figure are available									
Water Distribution Losses (2)	Total Volume Losses (kℓ) Total Cost of Losses (Rand '000)										
Employee costs	Employee costs/(Total Revenue - capital revenue)	33.9%	37.8%	31.6%	34.2%	32.3%	32.3%	32.3%	34.2%	38.3%	37.5%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	35.8%	39.6%	33.1%	35.7%	33.8%	33.8%		35.7%	39.9%	39.1%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	5.0%	11.0%	3.8%	4.5%	4.0%	4.0%		4.7%	5.2%	5.1%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	3.3%	4.0%	3.2%	4.8%	4.6%	4.6%	4.6%	3.1%	3.4%	3.3%
<u>IDP regulation financial viability indicators</u>											
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	23.4	34.7	45.5	45.5	45.5	45.5	53.9	62.5	66.4	70.2
ii.O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	10.4%	13.4%	11.8%	9.8%	13.1%	13.1%	13.1%	13.2%	13.7%	13.7%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	7.9	3.3	2.2	1.2	1.3	1.3	1.3	0.9	0.4	0.1

2.3.1 Performance indicators and benchmarks

2.3.1.1 Borrowing Management

Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities, Cape Agulhas Municipality's borrowing strategy is primarily informed by the affordability of debt repayments. The structure of the Municipality's debt portfolio is dominated by annuity loans. The following financial performance indicators have formed part of the compilation of the 2013/14 MTREF:

- *Borrowing to asset ratio* is a measure of the long-term borrowing as a percentage of the total asset base of the municipality. This ratio is by far below the borrowing capacity of the municipality.
- *Capital charges to operating expenditure* are a measure of the cost of borrowing in relation to the operating expenditure. It can be seen that the cost of borrowing is very low throughout the MTREF period. While borrowing is considered a prudent financial instrument in financing capital infrastructure development, this indicator will have to be carefully monitored going forward as the Municipality should limit external interest charges to the minimum.
- *Borrowing funding of own capital expenditure* measures the degree to which own capital expenditure (excluding grants and contributions) has been funded by way of borrowing. The municipality does not intend borrowing any money during the MTREF period. The municipality should however seriously consider this option to stabilise the cash flow.

2.3.1.2 Safety of Capital

- *The debt-to-equity ratio* is a financial ratio indicating the relative proportion of equity and debt used in financing the municipality's assets. The indicator is based on the total of loans, creditors, overdraft and tax provisions as a percentage of funds and reserves. This ratio is well below the norm, indicating a strong financial position.
- *The gearing ratio* is a measure of the total long term borrowings over funds and reserves. A ratio in the region of 50% is a general benchmark and the municipality is well within the limit.

2.3.1.3 Liquidity

- *Current ratio* is a measure of the current assets divided by the current liabilities and as a benchmark the Municipality has set a limit of more than 2 which is a general benchmark, hence at no point in time should this ratio be less than 2.
- *The liquidity ratio* is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations.

2.3.1.4 Revenue Management

- As part of the financial sustainability strategy, an aggressive revenue management framework has been implemented to increase cash inflow, not only from current billings but also from debtors that are in arrears in excess of 90 days. The intention of the strategy is to streamline the revenue value chain by ensuring accurate billing, customer service, credit control and debt collection. The collection rate in this indicator is based on all cash receipts, also for direct income. The collection rate used for the calculation of debtors' payments is very close to 100% which is. This percentage is indicative of the good credit control policy implemented at the municipality.

2.3.1.5 Creditors Management

- The Municipality has managed to ensure that creditors are settled within the legislated 30 days of invoice. While the liquidity ratio is of concern, by applying daily cash flow management the municipality has managed to ensure a 100 per cent compliance rate to this legislative obligation. This has had a favourable impact on suppliers' perceptions of risk of doing business with the Municipality, which is expected to benefit the Municipality in the form of more competitive pricing of tenders, as suppliers compete for the Municipality's business.

2.3.1.6 Other Indicators

- Distribution losses are a great concern at the municipality, but the municipality is in process to investigate problem areas to limit these losses over the MTREF period and beyond. Upgrading of old infrastructure will also contribute to limit these losses.
- Employee costs as a percentage of operating revenue is fairly constant over the MTREF. This is primarily owing to the high increase in bulk purchases which directly increase revenue levels, as well as increased allocation relating to operating grants and transfers.
- Similar to that of employee costs, repairs and maintenance as percentage of operating revenue is also fairly constant owing directly to cost drivers such as bulk purchases increasing far above inflation. The expenditure on repairs and maintenance is well below acceptable levels, but the actual cost will only be determined when a costing system is implemented.

2.3.2 Free Basic Services: basic social services package for indigent households

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the Municipality. With the exception of water, only registered indigents qualify for the free basic services.

Further detail relating to the number of households receiving free basic services, the cost of free basic services, highest level of free basic services as well as the revenue cost associated with the free basic services is contained elsewhere in this report.

2.4 Overview of budget related-policies

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

2.4.1 Credit control and debt collection procedures/policies

The scope of this policy includes the following -

- 1) Credit control procedures and mechanisms;
- 2) Debt Collection Procedures and mechanisms
- 3) Interest on arrears, where applicable;
- 4) Extension on time under certain circumstances; and
- 5) The termination or restriction of services when payments are in arrears

2.4.2 Supply Chain Management Policy

The Supply Chain Management Policy sets out in detail all supply chain procedures to be followed when goods and services are procured.

2.4.3 Budget and Virement Policy

This policy is in draft format and will be finalised in the near future.

2.4.4 Cash Management and Investment Policy

The objective of this policy is set out as follows –

- 1) Ensure compliance with relevant legal and statutory requirements relating to cash management and investments.
- 2) Ensure that council of the municipality who effectively are custodians of the public revenues, which it collects, managed the cash resources effectively and efficiently; and
- 3) Ensure optimal return on investment without incurring undue risk when cash revenues are not needed for capital or operational purposes

2.4.5 Tariff Policies (including the indigent policy)

The Municipality's tariff policies provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery.

2.4.6 Asset Management policy

This policy is designed to effectively manage the asset of the municipality.

2.5 Overview of budget assumptions

2.5.1 External factors

Domestically, after five years of strong growth, during which about two million jobs were created, our economy shrank fast and millions of people lost their jobs. It is expected that recovery from this deterioration will be slow and uneven and that growth for 2013 will be minimal with a slightly better growth in the outer years.

Owing to the economic slowdown, financial resources are limited due to reduced payment levels by consumers. This has resulted in declining cash inflows, which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the Municipality's finances.

2.5.2 General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2013/14 MTREF:

- National Government macro economic targets;
- The general inflationary outlook and the impact on Municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity; and
- The increase in the cost of remuneration.

2.5.3 Credit rating outlook

The credit outlook of South Africa remained under pressure. This could be attributed to the numerous violent protest actions in the various sectors of the South African economy. Most recently, the mining and agricultural sectors were negatively affected by these actions. This made South Africa less attractive to foreign investors and largely contributed to the ever widening trade deficit.

2.5.4 Interest rates for borrowing and investment of funds

The municipality will not borrow any funds during the MTREF period. It is expected that interest rates will be adjusted slightly upwards during the MTREF period and it was budget for as such.

2.5.5 Collection rate for revenue services

The base assumption is that tariff and rating increases will increase at a rate slightly higher than CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage of annual billings. This percentage is in the high ninety percentage bracket which is very good.

2.5.6 Growth or decline in tax base of the municipality

Debtors' revenue is assumed to increase at a rate that is influenced by the consumer debtors collection rate, tariff/rate pricing, real growth rate of the Municipality, household formation growth rate and the poor household change rate.

Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing 'households' is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the same costs incurred for servicing the household exist, but that no consumer revenue is derived as the 'poor household' limits consumption to the level of free basic services.

2.5.7 Salary increases

Municipalities must take into account the multi-year Salary and Wage Collective Agreement for the period 1 July 2012 to 30 June 2015. The agreement provides for a wage increase based on the average CPI for the period 1 February 2012 until 31 January 2013, plus 1.25 per cent for the 2013/14 financial year.

2.5.8 Impact of national, provincial and local policies

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

2.5.9 Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of almost 100% will be achieved over the MTREF period.

2.6 Overview of budget funding

2.6.1 Medium-term outlook: operating revenue

The following table is a breakdown of the operating revenue over the medium-term:

Description R thousands	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Financial Performance								
Property rates	26 316	28 470	32 427	34 477	34 767	39 103	41 214	43 440
Service charges	67 223	76 584	93 004	98 583	100 908	110 069	117 724	124 759
Investment revenue	5 033	3 290	2 224	2 200	2 165	1 650	1 635	1 622
Transfers recognised - operational	35 495	34 641	57 697	55 035	68 046	62 543	42 416	49 184
Other own revenue	11 892	10 250	10 620	12 288	12 382	14 303	13 722	14 467
Total Revenue (excluding capital transfers and contributions)	145 960	153 234	195 972	202 583	218 269	227 668	216 711	233 472

Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The Municipality derives most of its operational revenue from the provision of goods and services such as electricity and solid waste removal, property rates, operating and capital grants from organs of state and other minor charges (such as building plan fees, licenses and permits etc).

The revenue strategy is a function of key components such as:

- Growth in the Municipality and economic development;
- Revenue management and enhancement;
- Achievement of a 86 per cent annual collection rate for consumer revenue;
- National Treasury guidelines;
- Electricity tariff increases within the National Electricity Regulator of South Africa (NERSA) approval;
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing/calculating revenue requirements;
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA), and
- And the ability to extend new services and obtain cost recovery levels.

The above principles guide the annual increase in the tariffs charged to the consumers and the ratepayers aligned to the economic forecasts.

2.6.2 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understandability for councillors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provide for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue., and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).

MBRR Table A7 - Budget cash flow statementCash

Description	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
R thousand								
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Ratepayers and other	103 400	107 441	126 151	143 093	144 097	159 779	168 747	179 415
Government - operating	35 495	23 827	60 327	55 035	69 605	62 543	42 416	49 184
Government - capital	6 077	7 965	8 592	13 326	14 062	13 417	8 784	9 186
Interest	5 541	3 740	2 779	2 896	2 861	2 387	2 412	2 441
Payments								
Suppliers and employees	(128 413)	(149 388)	(181 983)	(192 194)	(209 729)	(220 233)	(209 135)	(225 566)
Finance charges	(589)	(448)	(351)	(269)	(713)	(277)	(273)	(286)
Transfers and Grants	–	–	–	–	–	–	–	–
NET CASH FROM/(USED) OPERATING ACTIVITIES	21 511	(6 863)	15 516	21 886	20 183	17 617	12 951	14 373
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipts								
Proceeds on disposal of PPE	–	172	367	–	–	–	–	–
Decrease (increase) other non-current receivables	122	38	33	5	6	5	5	5
Payments								
Capital assets	(23 728)	(26 937)	(23 082)	(26 843)	(30 009)	(21 504)	(19 809)	(18 276)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(23 606)	(26 726)	(22 683)	(26 838)	(30 003)	(21 499)	(19 804)	(18 271)
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
Borrowing long term/refinancing	–	–	731	–	–	–	–	–
Increase (decrease) in consumer deposits	246	243	272	290	189	201	213	300
Payments								
Repayment of borrowing	(1 244)	(979)	(635)	(143)	(382)	(400)	(232)	(185)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(998)	(736)	368	147	(193)	(199)	(19)	115
NET INCREASE/ (DECREASE) IN CASH HELD	(3 094)	(34 325)	(6 798)	(4 804)	(10 012)	(4 082)	(6 872)	(3 782)
Cash/cash equivalents at the year begin:	70 802	67 708	33 383	19 327	26 585	16 572	12 490	5 619
Cash/cash equivalents at the year end:	67 708	33 383	26 585	14 522	16 572	12 490	5 619	1 836

This following table meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

MBRR Table A8 - Cash backed reserves/accumulated surplus reconciliation

Description R thousand	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Cash and investments available								
Cash/cash equivalents at the year end	67 708	33 383	26 585	14 522	16 572	12 490	5 619	1 836
Cash and investments available:	67 708	33 383	26 585	14 522	16 572	12 490	5 619	1 836
Application of cash and investments								
Unspent conditional transfers	11 161	1 768	804	1 303	(137)	(137)	(137)	(137)
Other working capital requirements	(2 099)	(6 721)	(7 224)	(4 826)	(9 999)	(12 164)	(13 688)	(14 559)
Reserves to be backed by cash/investments	56 837	32 337	23 337	17 837	22 637	22 837	19 337	16 337
Total Application of cash and investments:	65 899	27 385	16 918	14 314	12 501	10 536	5 512	1 641
Surplus(shortfall)	1 809	5 998	9 667	208	4 071	1 954	107	195

From the above table it can be seen that the cash and investments available total R12.490 million in the 2013/14 financial year and progressively decreases in the 2 outer years. The following is a breakdown of the application of this funding:

- Unspent conditional transfers (grants) are automatically assumed to be an obligation as the municipality has received government transfers in advance of meeting the conditions. Ordinarily, unless there are special circumstances, the municipality is obligated to return unspent conditional grant funds to the national revenue fund at the end of the financial year. In the past these have been allowed to 'roll-over' and be spent in the ordinary course of business, but this practice has been discontinued.
- The main purpose of other working capital is to ensure that sufficient funds are available to meet obligations as they fall due. A key challenge is often the mismatch between the timing of receipts of funds from debtors and payments due to employees and creditors.

High levels of debtor non-payment and receipt delays will have a greater requirement for working capital, resulting in cash flow challenges. For the purpose of the cash backed reserves and accumulated surplus reconciliation a provision equivalent to one month's operational expenditure has been provided for. It needs to be noted that although this can be considered prudent, the desired cash levels should be at least 60 days to ensure continued liquidity of the municipality. Any underperformance in relation to collections could place upward pressure on the ability of the Municipality to meet its creditor obligations.

- Most reserve fund cash-backing is discretionary in nature, but the reserve funds are not available to support a budget unless they are cash-backed.

2.6.3 Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

MBRR SA10 – Funding compliance measurement

Description	MFMA section	Ref	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Funding measures												
Cash/cash equivalents at the year end - R'000	18(1)b	1	67 708	33 383	26 585	14 522	16 572	16 572	16 572	12 490	5 619	1 836
Cash + investments at the y r end less applications - R'000	18(1)b	2	1 809	5 998	9 667	208	4 071	4 071	4 071	1 954	107	195
Cash year end/monthly employee/supplier payments	18(1)b	3	7.9	3.3	2.2	1.2	1.3	1.3	1.3	0.9	0.4	0.1
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	8 227	(3 976)	7 207	8 267	11 098	11 098	11 098	10 864	4 821	4 975
Service charge rev % change - macro CPIX target exclusive	18(1)a,(2)	5	N.A.	6.3%	13.4%	0.1%	(4.0%)	(6.0%)	(6.0%)	3.9%	0.5%	(0.2%)
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	6	98.1%	93.2%	92.7%	98.4%	97.3%	97.3%	97.3%	97.7%	97.7%	98.2%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	7	2.8%	(0.5%)	0.8%	0.7%	0.7%	0.7%	0.7%	0.7%	0.6%	0.6%
Capital payments % of capital expenditure	18(1)c,19	8	100.0%	100.0%	74.2%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	9	0.0%	0.0%	3.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a	10								0.0%	0.0%	0.0%
Current consumer debtors % change - incr(decr)	18(1)a	11	N.A.	45.0%	4.3%	(11.0%)	35.9%	0.0%	0.0%	10.5%	10.1%	5.8%
Long term receivables % change - incr(decr)	18(1)a	12	N.A.	(8.5%)	(8.0%)	1.2%	(2.5%)	0.0%	0.0%	(1.3%)	(1.4%)	(1.4%)
R&M % of Property Plant & Equipment	20(1)(vi)	13	3.9%	8.2%	3.4%	3.8%	3.6%	3.6%	4.4%	4.1%	4.2%	4.2%
Asset renewal % of capital budget	20(1)(vi)	14	51.4%	45.4%	74.7%	41.4%	37.8%	37.8%	0.0%	55.3%	31.2%	75.7%

2.6.3.1 Cash/cash equivalent position

The Municipality's forecast cash position was discussed as part of the budgeted cash flow statement. A 'positive' cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements.

If the municipality's forecast cash position is negative, for any year of the medium term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short term debt at the end of the financial year.

2.6.3.2 Cash plus investments less application of funds

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The detail reconciliation of the cash backed reserves/surpluses is contained in the previous page. The reconciliation is intended to be a relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made. This has been extensively discussed above.

2.6.3.3 Monthly average payments covered by cash or cash equivalents

The purpose of this measure is to understand the level of financial risk should the municipality be under stress from a collection and cash in-flow perspective. Regardless of the annual cash position an evaluation should be made of the ability of the Municipality to meet monthly payments as and when they fall due. It is especially important to consider the position should the municipality be faced with an unexpected disaster that threatens revenue collection such as rate boycotts.

2.6.3.4 Surplus/deficit excluding depreciation offsets

The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year. An 'adjusted' surplus/deficit is achieved by offsetting the amount of depreciation related to externally funded assets. Municipalities need to assess the result of this calculation taking into consideration its own circumstances and levels of backlogs. If the outcome is a deficit, it may indicate that rates and service charges are insufficient to ensure that the community is making a sufficient contribution toward the economic benefits they are consuming over the medium term.

2.6.3.5 Property Rates/service charge revenue as a percentage increase less macro inflation target

The purpose of this measure is to understand whether the municipality is contributing appropriately to the achievement of national inflation targets. This measure is based on the increase in 'revenue', which will include both the change in the tariff as well as any assumption about real growth such as new property development, services consumption growth etc.

The factor is calculated by deducting the maximum macro-economic inflation target increase (which is currently 3 - 6 per cent). The result is intended to be an approximation of the real increase in revenue.

2.6.3.6 Cash receipts as a percentage of ratepayer and other revenue

This factor is a macro measure of the rate at which funds are 'collected'. This measure is intended to analyse the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget.

2.6.3.7 Debt impairment expense as a percentage of billable revenue

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues.

2.6.3.8 Capital payments percentage of capital expenditure

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. It can be seen that a 100 per cent payments has been factored into the cash position forecasted over the entire financial year.

2.6.3.9 Transfers/grants revenue as a percentage of Government transfers/grants available

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100 per cent could indicate that not all grants as contained in the Division of Revenue Act (DoRA) have been budgeted for. The Municipality has budgeted for all transfers and therefore no percentage is being shown as outstanding.

2.6.3.10 Consumer debtors change (Current and Non-current)

The purpose of this measure is to ascertain whether budgeted reductions in outstanding debtors are realistic. There are 2 measures shown for this factor; the change in current debtors and the change in long term receivables, both from the Budgeted Financial Position.

2.6.3.11 Repairs and maintenance expenditure level

This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected.

2.6.3.12 Asset renewal/rehabilitation expenditure level

This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorise each capital project as a new asset or a renewal/rehabilitation project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for 'repairs and maintenance' budgets.

2.7 Expenditure on grants and reconciliations of unspent funds

MBRR SA19 - Expenditure on transfers and grant programmes

Description	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
R thousand								
EXPENDITURE:								
Operating expenditure of Transfers and Grants								
National Government:	11 909	16 015	18 681	22 443	22 871	29 151	33 760	40 218
Local Government Equitable Share	10 527	13 494	14 805	16 877	16 877	18 057	19 424	20 744
Finance Management	894	1 944	1 677	1 250	1 250	1 300	1 450	1 500
Municipal Systems Improvement	488	577	145	800	804	890	934	966
Municipal Infrastructure (MIG)	–	–	1 498	1 833	1 833	1 868	1 952	2 008
EPWP Incentive	–	–	301	1 000	1 000	1 000	–	–
RBIG	–	–	254	683	683	683	–	–
INEG	–	–	–	–	425	5 354	10 000	15 000
Provincial Government:	23 586	18 424	38 710	32 592	45 175	33 392	8 656	8 966
Housing	20 532	1 862	32 898	23 273	34 677	28 924	3 892	3 892
Community Development Workers	40	83	19	81	172	–	84	84
Subsidy Main Roads	–	8 200	3 034	4 575	3 245	159	80	80
Subsidy Libraries	401	345	2 639	4 163	4 063	4 309	4 600	4 910
Housing Consumer	27	14	1	–	–	–	–	–
Masimambane III Programme	411	294	–	–	68	–	–	–
Meesterbeplanning - IMQS	122	4	–	–	–	–	–	–
Feeding Scheme	582	616	–	–	–	–	–	–
Thusong Centre	–	–	–	500	368	–	–	–
Flood Damage	1 385	–	–	–	–	–	–	–
Provincial Financial Grant	–	–	119	–	81	–	–	–
Bredasdorp Area D HOP	–	6 988	–	–	–	–	–	–
Water Master Planning	–	19	–	–	–	–	–	–
Mobiliteits strategie	–	–	–	–	–	–	–	–
Sport and recreation	87	–	–	–	–	–	–	–
Provincial Contribution to the acceleration of housing	–	–	–	–	2 500	–	–	–
INEG	–	–	–	–	–	–	–	–
District Municipality:	–	202	–	–	–	–	–	–
Soccer 2010	–	202	–	–	–	–	–	–
Other grant providers:	–	–	307	–	–	–	–	–
IDC	–	–	307	–	–	–	–	–
Total operating expenditure of Transfers and Grants:	35 495	34 641	57 697	55 035	68 046	62 543	42 416	49 184
Capital expenditure of Transfers and Grants								
National Government:	6 077	6 911	8 453	13 326	13 831	13 217	8 584	8 986
Municipal Infrastructure (MIG)	6 077	6 747	7 644	8 451	8 451	8 341	8 584	8 986
Finance Management	–	23	8	–	–	–	–	–
Municipal Systems Improvement	–	141	673	–	–	–	–	–
RBIG	–	–	–	4 875	4 875	4 875	–	–
EPWP Incentive	–	–	128	–	–	–	–	–
INEG	–	–	–	–	504	–	–	–
Provincial Government:	–	1 054	85	–	2 732	200	200	200
Community Development Workers	–	18	13	–	–	–	–	–
Mobiliteits strategie	–	1 028	72	–	–	–	–	–
Feeding Scheme	–	8	–	–	–	–	–	–
Subsidy Libraries	–	–	–	–	100	200	200	200
Thusong Centre	–	–	–	–	2 632	–	–	–
Other grant providers:	–	–	54	–	–	–	–	–
IDC (CAMLEDA)	–	–	54	–	–	–	–	–
Total capital expenditure of Transfers and Grants	6 077	7 965	8 592	13 326	16 562	13 417	8 784	9 186
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS	41 572	42 606	66 289	68 361	84 608	75 960	51 200	58 370

MBRR SA 20 - Reconciliation between of transfers, grant receipts and unspent funds

Description R thousand	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Operating transfers and grants:								
National Government:								
Balance unspent at beginning of the year	1 533	1 151	465	–	2	(1)	(1)	(1)
Transfer from capital	–	–	4	–	–	–	–	–
Current year receipts	11 527	15 330	18 214	22 443	22 867	29 151	33 760	40 218
Conditions met - transferred to revenue	11 909	16 015	18 681	22 443	22 871	29 151	33 760	40 218
Conditions still to be met - transferred to liabilities	1 151	465	2	–	(1)	(1)	(1)	(1)
Provincial Government:								
Balance unspent at beginning of the year	3 529	3 361	1 303	1 303	(1 562)	–	–	–
Transfer to capital	–	–	(72)	–	–	–	–	–
Current year receipts	21 633	15 115	38 952	32 592	46 738	33 392	8 656	8 966
Transfer to/(from) debtors	(1 786)	(1 250)	3 037	–	–	–	–	–
Conditions met - transferred to revenue	23 586	18 424	38 710	32 592	45 175	33 392	8 656	8 966
Conditions still to be met - transferred to liabilities	3 361	1 303	(1 562)	1 303	–	–	–	–
District Municipality:								
Balance unspent at beginning of the year	–	202	–	–	–	–	–	–
Current year receipts	202	–	–	–	–	–	–	–
Conditions met - transferred to revenue	–	202	–	–	–	–	–	–
Conditions still to be met - transferred to liabilities	202	–	–	–	–	–	–	–
Other grant providers:								
Balance unspent at beginning of the year	–	–	–	–	831	831	831	831
Current year receipts	–	–	1 138	–	–	–	–	–
Conditions met - transferred to revenue	–	–	307	–	–	–	–	–
Conditions still to be met - transferred to liabilities	–	–	831	–	831	831	831	831
Total operating transfers and grants revenue	35 495	34 641	57 697	55 035	68 046	62 543	42 416	49 184
Total operating transfers and grants - CTBM	4 714	1 768	(728)	1 303	830	830	830	830
Capital transfers and grants:								
National Government:								
Balance unspent at beginning of the year	479	6 447	–	–	(967)	(967)	(967)	(967)
Transfer from operating	–	–	(4)	–	–	–	–	–
Current year receipts	12 045	164	7 789	13 326	13 831	13 217	8 584	8 986
Transfer to/(from) debtors	–	(300)	300	–	–	–	–	–
Conditions met - transferred to revenue	6 077	6 911	8 453	13 326	13 831	13 217	8 584	8 986
Conditions still to be met - transferred to liabilities	6 447	–	(967)	–	(967)	(967)	(967)	(967)
Provincial Government:								
Balance unspent at beginning of the year	–	–	–	–	2 500	–	–	–
Transfer from operating	–	–	72	–	–	–	–	–
Current year receipts	–	1 054	2 513	–	232	200	200	200
Conditions met - transferred to revenue	–	1 054	85	–	2 732	200	200	200
Conditions still to be met - transferred to liabilities	–	–	2 500	–	–	–	–	–
Other grant providers:								
Balance unspent at beginning of the year	–	–	–	–	–	–	–	–
Current year receipts	–	–	54	–	–	–	–	–
Conditions met - transferred to revenue	–	–	54	–	–	–	–	–
Conditions still to be met - transferred to liabilities	–	–	–	–	–	–	–	–
Total capital transfers and grants revenue	6 077	7 965	8 592	13 326	16 562	13 417	8 784	9 186
Total capital transfers and grants - CTBM	6 447	–	1 533	–	(967)	(967)	(967)	(967)
TOTAL TRANSFERS AND GRANTS REVENUE	41 572	42 606	66 289	68 361	84 608	75 960	51 200	58 370
TOTAL TRANSFERS AND GRANTS - CTBM	11 161	1 768	804	1 303	(137)	(137)	(137)	(137)

2.8 Councillor and employee benefits

MBRR SA22 - Summary of councillor and staff benefits

Summary of Employee and Councillor remuneration R thousand	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<u>Councillors (Political Office Bearers plus Other)</u>								
Basic Salaries and Wages	1 704	1 769	1 812	1 963	1 963	2 043	2 154	2 270
Pension and UIF Contributions	256	258	276	294	294	320	338	356
Medical Aid Contributions	11	13	1	–	–	–	–	–
Motor Vehicle Allowance	673	684	695	757	757	879	926	976
Cellphone Allowance	132	134	134	146	146	152	160	169
Housing Allowances	–	–	–	–	–	–	–	–
Other benefits and allowances	–	–	–	–	–	–	–	–
Sub Total - Councillors	2 776	2 857	2 919	3 161	3 161	3 395	3 578	3 771
% increase		2.9%	2.2%	8.3%	–	7.4%	5.4%	5.4%
<u>Senior Managers of the Municipality</u>								
Basic Salaries and Wages	2 528	2 807	2 907	4 138	4 138	3 754	3 994	4 233
Pension and UIF Contributions	462	510	535	–	–	675	719	762
Medical Aid Contributions	118	130	137	144	144	–	–	–
Overtime	–	–	–	–	–	–	–	–
Performance Bonus	331	436	479	499	499	583	620	658
Motor Vehicle Allowance	374	396	398	–	–	296	315	334
Cellphone Allowance	–	–	–	–	–	–	–	–
Housing Allowances	–	–	–	–	–	–	–	–
Other benefits and allowances	90	124	104	–	–	95	101	107
Payments in lieu of leave	–	–	–	–	–	–	–	–
Long service awards	–	–	–	–	–	–	–	–
Post-retirement benefit obligations	–	–	–	–	–	–	–	–
Sub Total - Senior Managers of Municipality	3 904	4 404	4 560	4 781	4 781	5 403	5 749	6 094
% increase		12.8%	3.6%	4.8%	–	13.0%	6.4%	6.0%
<u>Other Municipal Staff</u>								
Basic Salaries and Wages	31 144	36 297	38 576	42 394	43 343	48 648	51 762	54 867
Pension and UIF Contributions	4 626	5 179	5 515	7 257	7 273	7 437	7 913	8 387
Medical Aid Contributions	1 278	1 608	1 896	2 120	2 218	2 455	2 613	2 769
Overtime	1 539	1 937	2 044	2 185	2 186	2 335	2 485	2 634
Performance Bonus	–	–	–	–	–	–	–	–
Motor Vehicle Allowance	2 309	2 608	3 047	3 583	3 758	3 891	4 140	4 389
Cellphone Allowance	–	–	–	–	–	–	–	–
Housing Allowances	371	353	375	375	414	401	427	453
Other benefits and allowances	870	1 975	1 878	2 298	2 358	2 387	2 539	2 692
Payments in lieu of leave	906	694	587	400	400	600	600	600
Long service awards	274	473	603	659	659	720	786	786
Post-retirement benefit obligations	2 284	2 360	2 907	3 205	3 205	3 533	3 896	3 896
Sub Total - Other Municipal Staff	45 601	53 484	57 427	64 475	65 814	72 408	77 159	81 472
% increase		17.3%	7.4%	12.3%	2.1%	10.0%	6.6%	5.6%
Total Parent Municipality	52 281	60 744	64 907	72 417	73 755	81 205	86 486	91 337
		16.2%	6.9%	11.6%	1.8%	10.1%	6.5%	5.6%

MBRR SA23 - Salaries, allowances and benefits (political office bearers/councillors/senior managers)

Disclosure of Salaries, Allowances & Benefits 1.	No.	Salary	Contributions	Allowances	Performance Bonuses	In-kind benefits	Total Package
Rand per annum			1.				2.
<u>Councillors</u>							
Speaker		315 370	47 305	140 764			503 439
Executive Mayor		394 213	59 132	170 987			624 332
Deputy Executive Mayor		315 370	47 305	140 764			503 439
Executive Committee		284 526	55 482	133 208			473 216
Total for all other councillors		912 882	88 699	288 653			1 290 234
Total Councillors	-	2 222 361	297 923	874 376			3 394 660
<u>Senior Managers of the Municipality</u>							
Municipal Manager (MM)		835 735	171 492	48 000	147 731		1 202 958
Chief Finance Officer		605 231	124 192	48 000	108 839		886 262
Director Corporate services		584 895	120 020	72 508	108 839		886 262
Director Technical services		592 077	121 493	63 854	108 839		886 263
Director Community Services		592 895	121 493	63 854	108 839		887 081
<i>List of each official with packages >= senior manager</i>							
Assistant Director Electrical		542 772	111 376	-	-		654 148
Total Senior Managers of the Municipality	-	3 753 605	770 066	296 216	583 087		5 402 974

MBRR SA24 – Summary of personnel numbers

Information will be included in the final budget.

2.9 Monthly targets for revenue, expenditure and cash flow

MBRR SA25 - Budgeted monthly revenue and expenditure

Description	Budget Year 2013/14												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
R thousand															
Revenue By Source															
Property rates	38 955	(32)	(0)	–	(5)	(2)	–	5	–	0	–	183	39 103	41 214	43 440
Service charges - electricity revenue	5 431	7 271	6 467	6 138	5 805	5 987	5 927	5 956	5 859	5 628	6 297	6 234	72 999	78 461	83 169
Service charges - water revenue	1 256	1 181	1 392	1 290	1 463	1 642	1 874	1 867	1 846	1 676	1 596	1 467	18 547	19 549	20 604
Service charges - sanitation revenue	531	576	551	586	596	725	677	607	617	633	626	624	7 350	7 938	8 573
Service charges - refuse revenue	898	898	899	924	925	936	936	938	947	954	956	962	11 173	11 777	12 413
Rental of facilities and equipment	237	440	1 131	878	494	507	732	304	499	343	177	156	5 898	6 217	6 553
Interest earned - external investments	25	156	153	46	189	172	194	175	145	68	173	154	1 650	1 635	1 622
Interest earned - outstanding debtors	54	48	52	68	69	70	65	52	66	64	66	63	737	777	819
Fines	89	156	101	112	95	153	70	15	132	45	71	146	1 186	1 250	1 318
Licences and permits	83	119	113	100	124	90	104	99	102	105	112	97	1 248	1 316	1 387
Agency services	72	118	101	114	81	85	121	108	126	87	69	145	1 228	1 294	1 364
Transfers recognised - operational	7 804	2 789	27 691	1 088	1 072	462	4 681	7 424	6 464	767	767	1 534	62 543	42 416	49 184
Other revenue	706	73	466	333	266	283	285	207	553	250	367	215	4 005	2 867	3 027
Total Revenue (excluding capital transfers and contributions)	56 142	13 794	39 116	11 677	11 174	11 109	15 667	17 758	17 355	10 619	11 276	11 980	227 668	216 711	233 472
Expenditure By Type															
Employee related costs	5 131	5 278	5 929	5 489	8 626	5 534	6 301	5 827	6 701	5 953	5 305	11 736	77 810	82 908	87 566
Remuneration of councillors	269	268	272	270	270	270	270	383	293	293	252	284	3 395	3 578	3 771
Debt impairment	–	–	–	–	–	–	–	–	–	–	–	1 010	1 010	1 065	1 122
Depreciation & asset impairment	550	550	550	550	550	550	550	550	550	550	550	726	6 775	7 131	7 516
Finance charges	–	–	–	–	–	53	–	–	–	–	–	225	277	273	286
Bulk purchases	–	6 341	5 408	4 893	6 660	1 374	5 240	1 880	5 814	3 484	3 644	6 162	50 900	54 951	59 325
Contracted services	20	85	111	97	69	125	105	64	145	97	127	144	1 191	1 255	1 323
Other expenditure	5 816	6 599	6 945	6 396	6 815	7 632	8 349	6 882	8 655	6 431	7 824	10 521	88 863	69 512	76 772
Total Expenditure	11 786	19 120	19 216	17 695	22 991	15 539	20 815	15 586	22 158	16 809	17 700	30 807	230 221	220 674	237 682
Surplus/(Deficit)	44 356	(5 326)	19 900	(6 018)	(11 816)	(4 429)	(5 148)	2 172	(4 802)	(6 190)	(6 423)	(18 827)	(2 553)	(3 963)	(4 210)
Transfers recognised - capital	423	423	423	423	3 773	3 294	423	423	2 317	423	423	649	13 417	8 784	9 186
Surplus/(Deficit)	44 779	(4 903)	20 323	(5 595)	(8 043)	(1 135)	(4 725)	2 595	(2 485)	(5 767)	(6 001)	(18 178)	10 864	4 821	4 975

MBRR SA27 - Budgeted monthly revenue and expenditure (standard classification)

Description R thousand	Budget Year 2013/14												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Revenue - Standard															
<i>Governance and administration</i>	47 400	3 198	28 509	1 382	5 100	4 011	1 471	8 088	9 260	1 340	1 479	2 527	113 763	90 981	100 152
Executive and council	8 211	2 998	28 097	1 207	4 828	3 740	1 173	7 831	8 764	1 173	1 173	2 096	71 292	46 320	53 180
Budget and treasury office	39 083	195	312	173	269	268	284	252	231	156	292	423	41 938	44 099	46 379
Corporate services	106	5	99	1	2	4	14	5	265	10	13	8	534	562	593
<i>Community and public safety</i>	543	1 090	1 509	1 462	855	892	4 999	588	919	637	488	603	14 586	15 421	16 304
Community and social services	182	495	87	289	94	77	4 283	88	85	83	126	102	5 990	6 361	6 756
Sport and recreation	129	218	1 120	859	477	513	435	287	483	325	117	121	5 083	5 357	5 646
Public safety	233	377	302	314	284	302	281	213	351	229	245	380	3 513	3 703	3 902
<i>Economic and environmental services</i>	–	1	6	89	–	–	3	2	10	3	8	71	193	116	118
Road transport	–	1	6	89	–	–	3	2	10	3	8	71	193	116	118
<i>Trading services</i>	8 622	9 929	9 516	9 166	8 992	9 501	9 616	9 503	9 483	9 062	9 725	9 427	112 543	118 978	126 084
Electricity	5 893	7 209	6 621	6 324	5 928	6 164	6 076	6 043	6 021	5 768	6 459	6 330	74 836	79 040	83 781
Water	1 277	1 219	1 418	1 307	1 497	1 650	1 903	1 885	1 871	1 679	1 630	1 479	18 815	19 831	20 901
Waste water management	536	584	559	593	616	730	679	612	622	638	657	633	7 460	8 057	8 701
Waste management	916	917	918	943	951	956	959	963	969	977	978	985	11 432	12 050	12 700
Total Revenue - Standard	56 565	14 217	39 539	12 099	14 947	14 404	16 090	18 181	19 672	11 042	11 699	12 629	241 085	225 495	242 658
Expenditure - Standard															
<i>Governance and administration</i>	6 757	7 154	7 455	6 676	7 715	6 981	8 841	7 298	8 132	6 940	6 616	15 137	95 702	77 182	84 709
Executive and council	4 741	4 649	5 505	4 791	5 207	4 955	4 608	4 711	5 424	4 822	2 717	6 070	58 200	37 980	43 595
Budget and treasury office	1 493	1 746	1 092	1 081	1 605	1 080	3 127	1 657	1 152	1 261	1 131	7 920	24 346	25 260	26 368
Corporate services	523	758	858	804	903	946	1 105	929	1 556	858	2 768	1 147	13 156	13 942	14 746
<i>Community and public safety</i>	2 008	2 186	2 398	2 290	3 436	2 583	2 702	2 399	3 183	2 564	2 821	2 640	31 209	33 122	35 062
Community and social services	1 126	1 202	1 282	1 224	1 762	1 302	1 288	1 173	1 647	1 322	1 612	1 326	16 264	17 256	18 266
Sport and recreation	511	571	604	598	984	825	906	670	640	716	687	663	8 374	8 882	9 398
Public safety	371	413	512	467	690	457	509	556	897	526	523	652	6 571	6 984	7 398
<i>Economic and environmental services</i>	607	771	901	838	1 186	853	889	751	1 024	770	1 151	3 607	13 348	14 048	14 852
Road transport	572	729	856	797	1 115	803	845	705	977	727	1 103	3 563	12 791	13 457	14 226
Environmental protection	35	43	45	41	71	49	44	46	47	43	48	44	557	591	626
<i>Trading services</i>	2 272	8 823	8 225	7 701	10 398	4 928	8 196	4 937	9 628	6 350	6 926	11 577	89 961	96 322	103 059
Electricity	717	6 989	6 271	5 577	7 670	2 144	5 903	2 464	6 617	4 152	4 391	7 195	60 090	64 691	69 624
Water	742	743	857	958	1 143	1 247	849	1 150	1 170	1 036	1 040	1 688	12 622	13 368	14 131
Waste water management	370	558	516	514	746	737	636	597	758	508	507	799	7 247	7 672	8 108
Waste management	443	534	581	651	840	800	808	725	1 083	654	988	1 894	10 002	10 591	11 194
<i>Other</i>	142	186	237	190	256	194	187	201	191	186	185	(2 155)	–	–	–
Total Expenditure - Standard	11 786	19 120	19 216	17 695	22 991	15 539	20 815	15 586	22 158	16 809	17 700	30 807	230 221	220 674	237 682
Surplus/(Deficit)	44 779	(4 903)	20 323	(5 595)	(8 043)	(1 135)	(4 725)	2 595	(2 485)	(5 767)	(6 001)	(18 178)	10 864	4 821	4 975

MBRR SA26 - Budgeted monthly revenue and expenditure (municipal vote)

Description R thousand	Budget Year 2013/14												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Revenue by Vote															
Vote 1 - Executive and Council	8 211	2 998	28 097	1 207	4 828	3 740	1 173	7 831	8 764	1 173	1 173	2 096	71 292	46 320	53 180
Vote 2 - Budget and Treasury Office	39 083	195	312	173	269	268	284	252	231	156	292	423	41 938	44 099	46 379
Vote 3 - Corporate Services	106	5	99	1	2	4	14	5	265	10	13	8	534	562	593
Vote 4 - Community and Social Services	182	495	87	289	94	77	4 283	88	85	83	126	102	5 990	6 361	6 756
Vote 5 - Sport and Recreation	129	218	1 120	859	477	513	435	287	483	325	117	121	5 083	5 357	5 646
Vote 6 - Public Safety	233	377	302	314	284	302	281	213	351	229	245	380	3 513	3 703	3 902
Vote 7 - Road Transport	–	1	6	89	–	–	3	2	10	3	8	71	193	116	118
Vote 8 - Electricity	5 893	7 209	6 621	6 324	5 928	6 164	6 076	6 043	6 021	5 768	6 459	6 330	74 836	79 040	83 781
Vote 9 - Water	1 277	1 219	1 418	1 307	1 497	1 650	1 903	1 885	1 871	1 679	1 630	1 479	18 815	19 831	20 901
Vote 10 - Waste Water Management	536	584	559	593	616	730	679	612	622	638	657	633	7 460	8 057	8 701
Vote 11 - Waste Management	916	917	918	943	951	956	959	963	969	977	978	985	11 432	12 050	12 700
Total Revenue by Vote	56 565	14 217	39 539	12 099	14 947	14 404	16 090	18 181	19 672	11 042	11 699	12 629	241 085	225 495	242 658
Expenditure by Vote to be appropriated															
Vote 1 - Executive and Council	4 741	4 649	5 505	4 791	5 207	4 955	4 608	4 711	5 424	4 822	2 717	6 070	58 200	37 980	43 595
Vote 2 - Budget and Treasury Office	1 493	1 746	1 092	1 081	1 605	1 080	3 127	1 657	1 152	1 261	1 131	7 920	24 346	25 260	26 368
Vote 3 - Corporate Services	523	758	858	804	903	946	1 105	929	1 556	858	2 768	1 147	13 156	13 942	14 746
Vote 4 - Community and Social Services	1 126	1 202	1 282	1 224	1 762	1 302	1 288	1 173	1 647	1 322	1 612	1 326	16 264	17 256	18 266
Vote 5 - Sport and Recreation	511	571	604	598	984	825	906	670	640	716	687	663	8 374	8 882	9 398
Vote 6 - Public Safety	371	413	512	467	690	457	509	556	897	526	523	652	6 571	6 984	7 398
Vote 7 - Road Transport	572	729	856	797	1 115	803	845	705	977	727	1 103	1 075	10 304	10 823	11 436
Vote 8 - Electricity	717	6 989	6 271	5 577	7 670	2 144	5 903	2 464	6 617	4 152	4 391	7 195	60 090	64 691	69 624
Vote 9 - Water	742	743	857	958	1 143	1 247	849	1 150	1 170	1 036	1 040	1 688	12 622	13 368	14 131
Vote 10 - Waste Water Management	370	558	516	514	746	737	636	597	758	508	507	799	7 247	7 672	8 108
Vote 11 - Waste Management	443	534	581	651	840	800	808	725	1 083	654	988	1 894	10 002	10 591	11 194
Vote 12 - Environmental Protection	35	43	45	41	71	49	44	46	47	43	48	44	557	591	626
Vote 13 - Other	142	186	237	190	256	194	187	201	191	186	185	332	2 488	2 634	2 789
Total Expenditure by Vote	11 786	19 120	19 216	17 695	22 991	15 539	20 815	15 586	22 158	16 809	17 700	30 807	230 221	220 674	237 682
Surplus/(Deficit)	44 779	(4 903)	20 323	(5 595)	(8 043)	(1 135)	(4 725)	2 595	(2 485)	(5 767)	(6 003)	(18 178)	10 864	4 821	4 975

MBRR SA28 - Budgeted monthly capital expenditure (municipal vote)

Description R thousand	Budget Year 2013/14												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Multi-year expenditure to be appropriated															
Vote 1 - Executive and Council	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 2 - Budget and Treasury Office	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 3 - Corporate Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 4 - Community and Social Services	-	-	-	-	-	-	-	-	-	-	-	-	-	200	-
Vote 5 - Sport and Recreation	-	-	100	100	100	10	40	100	100	100	50	50	750	950	750
Vote 6 - Public Safety	-	-	-	-	-	-	-	-	-	-	-	-	-	200	200
Vote 7 - Road Transport	67	117	117	646	646	1 149	1 149	920	920	67	1 311	1 511	8 619	8 806	1 100
Vote 8 - Electricity	60	70	70	70	100	-	-	100	100	100	100	10	780	1 930	1 680
Vote 9 - Water	-	-	-	-	-	-	-	-	-	-	-	-	-	1 450	800
Vote 10 - Waste Water Management	-	-	-	200	200	-	-	1 219	1 219	1 219	1 219	400	5 675	1 000	10 286
Vote 11 - Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	400	-
Vote 12 - Environmental Protection	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 13 - Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	127	187	287	1 016	1 046	1 159	1 189	2 339	2 339	1 486	2 680	1 971	15 825	14 936	14 816
Single-year expenditure to be appropriated															
Vote 1 - Executive and Council	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 2 - Budget and Treasury Office	38	38	38	38	38	38	38	38	38	38	38	38	450	420	510
Vote 3 - Corporate Services	-	7	-	-	-	-	-	-	-	-	-	-	7	-	-
Vote 4 - Community and Social Services	100	107	-	-	60	-	-	-	-	507	507	507	1 789	2 678	200
Vote 5 - Sport and Recreation	3	168	173	18	3	3	3	3	3	3	3	3	390	-	60
Vote 6 - Public Safety	-	-	-	-	-	-	-	-	-	-	-	-	-	200	200
Vote 7 - Road Transport	152	152	127	102	102	2	2	2	2	2	52	52	750	1 200	1 620
Vote 8 - Electricity	44	4	4	4	4	4	4	262	262	262	262	262	1 380	65	50
Vote 9 - Water	17	217	217	17	17	17	17	17	17	17	17	17	600	-	500
Vote 10 - Waste Water Management	8	8	8	8	8	8	8	8	8	8	8	8	100	100	100
Vote 11 - Waste Management	37	85	77	2	2	2	2	2	2	2	2	2	214	210	220
Vote 12 - Environmental Protection	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 13 - Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total	399	787	644	189	234	74	74	332	332	839	889	889	5 680	4 873	3 460
Total Capital Expenditure	525	973	930	1 205	1 280	1 233	1 263	2 671	2 671	2 325	3 569	2 860	21 504	19 809	18 276

MBRR SA29 - Budgeted monthly capital expenditure (standard classification)

Description R thousand	Budget Year 2013/14												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Capital Expenditure - Standard															
<i>Governance and administration</i>	38	45	38	38	38	38	38	38	38	38	38	38	457	420	510
Budget and treasury office	38	38	38	38	38	38	38	38	38	38	38	38	450	420	510
Corporate services	–	7	–	–	–	–	–	–	–	–	–	–	7	–	–
<i>Community and public safety</i>	103	276	273	118	163	13	43	103	103	611	561	561	2 929	4 228	1 410
Community and social services	100	107	–	–	60	–	–	–	–	507	507	507	1 789	2 878	200
Sport and recreation	3	168	273	118	103	13	43	103	103	103	53	53	1 140	950	810
Public safety	–	–	–	–	–	–	–	–	–	–	–	–	–	400	400
<i>Economic and environmental services</i>	219	269	244	748	748	1 151	1 151	922	922	69	1 363	1 563	9 369	10 006	2 720
Planning and development	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Road transport	219	269	244	748	748	1 151	1 151	922	922	69	1 363	1 563	9 369	10 006	2 720
<i>Trading services</i>	166	384	376	301	331	31	31	1 608	1 608	1 608	1 608	699	8 749	5 155	13 636
Electricity	104	74	74	74	104	4	4	362	362	362	362	272	2 160	1 995	1 730
Water	17	217	217	17	17	17	17	17	17	17	17	17	600	1 450	1 300
Waste water management	8	8	8	208	208	8	8	1 227	1 227	1 227	1 227	408	5 775	1 100	10 386
Waste management	37	85	77	2	2	2	2	2	2	2	2	2	214	610	220
Total Capital Expenditure - Standard	525	973	930	1 205	1 280	1 233	1 263	2 671	2 671	2 325	3 569	2 860	21 504	19 809	18 276

MBRR SA30 - Budgeted monthly cash flow

MONTHLY CASH FLOWS	Budget Year 2013/14												Medium Term Revenue and Expenditure Framework			
	R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Cash Receipts By Source														1		
Property rates	2 096	2 096	15 371	2 096	2 096	2 096	2 096	2 096	2 096	2 096	2 096	2 096	2 096	38 428	40 508	43 578
Service charges - electricity revenue	5 355	7 169	6 376	6 052	5 724	5 903	5 844	5 873	5 777	5 549	6 209	6 146	71 977	77 363	82 005	
Service charges - water revenue	1 230	1 157	1 364	1 264	1 434	1 609	1 837	1 829	1 809	1 642	1 564	1 437	18 176	19 158	20 192	
Service charges - sanitation revenue	521	564	540	575	584	711	664	594	605	620	613	612	7 203	7 779	8 401	
Service charges - refuse revenue	871	871	872	896	898	908	908	910	918	925	927	934	10 838	11 423	12 040	
Rental of facilities and equipment	233	433	1 114	864	487	500	721	299	491	338	174	154	5 810	6 124	6 454	
Interest earned - external investments	24	154	151	45	186	169	191	173	142	67	170	152	1 625	1 611	1 598	
Interest earned - outstanding debtors	32	29	31	41	41	42	39	31	40	38	40	38	442	466	491	
Fines	89	156	101	112	95	153	70	15	132	45	71	146	1 186	1 250	1 318	
Licences and permits	83	119	113	100	124	90	104	99	102	105	112	97	1 248	1 316	1 387	
Agency services	72	118	101	114	81	85	121	108	126	87	69	145	1 228	1 294	1 364	
Transfer receipts - operational	7 804	2 789	27 691	1 088	1 072	462	4 681	7 424	6 464	767	767	1 534	62 543	42 416	49 184	
Other revenue	706	73	466	333	266	283	285	207	553	250	367	215	4 005	2 867	3 027	
Cash Receipts by Source	19 119	15 730	54 291	13 580	13 088	13 010	17 561	19 660	19 256	12 530	13 180	13 706	224 710	213 575	231 040	
Other Cash Flows by Source																
Transfer receipts - capital	100	100	–	529	529	1 083	1 083	1 772	1 772	1 726	2 970	1 752	13 417	8 784	9 186	
Increase (decrease) in consumer deposits	17	17	17	17	17	17	17	17	17	17	17	17	201	213	300	
Decrease (increase) other non-current receivables	0	0	0	0	0	0	0	0	0	0	0	0	5	5	5	
Total Cash Receipts by Source	19 236	15 847	54 309	14 127	13 634	14 110	18 660	21 449	21 045	14 273	16 167	15 474	238 332	222 577	240 531	
Cash Payments by Type																
Employee related costs	5 131	5 278	5 929	5 489	8 626	5 534	6 301	5 827	6 701	5 953	5 305	11 736	77 810	82 908	87 566	
Remuneration of councillors	269	268	272	270	270	270	270	383	293	293	252	284	3 395	3 578	3 771	
Finance charges	–	–	–	–	–	53	–	–	–	–	–	225	277	273	286	
Bulk purchases - Electricity	4 092	4 092	4 092	4 092	4 092	4 092	4 092	4 092	4 092	4 092	4 092	4 092	49 100	53 108	57 437	
Bulk purchases - Water & Sewer	67	67	67	67	67	67	67	67	67	67	67	67	800	843	889	
Contracted services	20	85	111	97	69	125	105	64	145	97	127	144	1 191	1 255	1 323	
Other expenditure	5 816	6 599	6 945	6 396	6 815	7 632	8 349	6 882	8 655	6 431	7 824	9 594	87 937	67 442	74 580	
Cash Payments by Type	15 394	16 388	17 416	16 411	19 939	17 773	19 183	17 315	19 952	16 933	17 665	26 141	220 510	209 408	225 852	
Other Cash Flows/Payments by Type																
Capital assets	525	973	930	1 205	1 280	1 233	1 263	2 671	2 671	2 325	3 569	2 860	21 504	19 809	18 276	
Repayment of borrowing	–	–	–	–	–	200	–	–	–	–	–	200	400	232	185	
Total Cash Payments by Type	15 920	17 361	18 346	17 615	21 218	19 206	20 446	19 985	22 623	19 258	21 234	29 201	242 414	229 449	244 314	
NET INCREASE/(DECREASE) IN CASH HELD	3 316	(1 514)	35 962	(3 489)	(7 584)	(5 096)	(1 786)	1 464	(1 578)	(4 985)	(5 067)	(13 727)	(4 082)	(6 872)	(3 782)	
Cash/cash equivalents at the month/year begin:	16 572	19 889	18 375	54 337	50 849	43 264	38 169	36 382	37 846	36 268	31 284	26 217	16 572	12 490	5 619	
Cash/cash equivalents at the month/year end:	19 889	18 375	54 337	50 849	43 264	38 169	36 382	37 846	36 268	31 284	26 217	12 490	12 490	5 619	1 836	

2.10 Contracts having future budgetary implications

In terms of the Municipality's Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Financial Management Division of the Treasury Department.

2.11 Allocations and grants made by the municipality

No allocations and grants are budgeted for in the MTREF period.

2.12 Other Supporting documentation

All other supporting schedules not contained in this report, is provided in the A-Schedule accompanying this report.

2.13 Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In year reporting
Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the Municipality's website.
2. Internship programme
The Municipality is participating in the Municipal Financial Management Internship programme and has employed one interns undergoing training in various divisions of the Financial Services Department.
3. Budget and Treasury Office
The Budget and Treasury Office has not been established in accordance with the MFMA.
4. Audit Committee
An Audit Committee has been established and is fully functional.
5. Service Delivery and Implementation Plan
The detail SDBIP document is at a draft stage and will be finalised after approval of the 2013/14 MTREF in May 2013 directly aligned and informed by the 2013/14 MTREF.
6. Annual Report
Annual report is compiled in terms of the MFMA and National Treasury requirements.

7. MFMA Training

No MFMA training is currently underway. Skills Competency training is currently in progress at the municipality with only a few individuals in the final stages of the programme.

8. Policies

An amendment of the Municipal Property Rates Regulations as published in Government Notice 363 of 27 March 2009, was announced in Government Gazette 33016 on 12 March 2010. The ratios as prescribed in the Regulations have been complied with.

2.14 Municipal Manager's quality certificate

I, Municipal Manager of Cape Agulhas Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name _____

Municipal Manager of Cape Agulhas Municipality

Signature _____

Date _____

Part 3 – Appendices

3.1 Appendix A – Capital budget

Refer to Appendix A attached.

3.2 Appendix B – Tariff Listing

Refer to Appendix B attached.